

V. COMPANIES UP CLOSE

Part A

This section provides detailed reports on the efforts of 28 companies during the reporting period for this report (January – December 2004) to improve the working conditions in the factories where they produce around the world. 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 2004, all companies in this category were apparel and footwear companies or retailers with their own-label apparel. 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 apparel to paper products to commemorative jewelry.

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;
- Developments in the program focusing on the company's particular approach to labor compliance and, in some cases, developments in the program since the Year Two 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;
- Accreditation reports of six company compliance programs.

A. Participating Companies

Participating Companies (PCs) commit to implement the FLA Workplace Code of Conduct 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) Gildan Activewear
- 5) Liz Claiborne
- 6) New Era Cap
- 7) Nike
- 8) Nordstrom
- 9) Outdoor Cap
- 10) Patagonia
- 11) Phillips-Van Heusen
- 12) PUMA
- 13) Reebok
- 14) Top of the World
- 15) Zephyr-Graf-X

It is important to note that these reports are descriptive in nature 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. At the end of 2004, six company compliance programs were eligible for FLA accreditation. A report on each program has been included in the individual company sections.

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

- Adopting and communicating the Workplace Code of Conduct to workers and management at applicable facilities
- Training internal compliance staff to monitor and remediate noncompliance
- Conducting internal monitoring of applicable facilities
- Submitting to unannounced, independent external monitoring visits to factories throughout its supply chain
- Remediating instances of noncompliance in a timely manner
- Acting to prevent persistent forms of 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

adidas-Salomon

1. adidas-Salomon Company Profile

In May 2005, adidas-Salomon received the designation of FLA-Accredited Compliance Program. Please click on the "FLA Accredited Program" tab to read the accreditation report. [Click here](#) for a description of FLA Accreditation.

Company Name: **adidas-Salomon**

Year of FLA Implementation: **3rd year**

[See FLA Y2 report on adidas-Salomon](#)

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

[See FLA Accreditation Report](#)

Annual Consolidated Revenue in FY 2004 (millions): **6,478 € Euros**

Company Status: **adidas-Salomon is publicly listed on the German Stock Exchange**

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

Total Applicable Facilities Worldwide in FLA 2004:

304 applicable facilities

[See detailsⁱ](#)

Applicable Facilities Subject to Internal Monitoring Visits in FLA 2004:

156 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

9 applicable facilities were independently monitored by FLA

[More about adidas' IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

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

[Learn more about adidas' Compliance Program](#)

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

[See list of third parties and work conductedⁱⁱ](#)

Notes:

- **adidas is included in [FLA Year One and Two](#) report.**
- **adidas is an FLA Category A University Licensee.**

2. adidas-Salomon's Labor Compliance Program in 2004

The Social and Environmental Affairs department (SEA) administers the corporate compliance program, according to the Standards of Engagement (SOE), the group's code of conduct, which corresponds with the standards enumerated in the FLA's Workplace Code. The SEA team is comprised of 32 full-time and 5 part-time staff members working in three geographic regions: Asia, the Americas, and Europe. The SEA department reports to the Legal Department at headquarters and ultimately to the General Counsel. Its structure includes a global director, three regional heads, and the respective regional field staff. Decision making and operational management is driven at the regional level. The SEA department works closely with corporate Sourcing, Quality Control, and Product Development for international production, and with the management of group brands, subsidiaries, and licensees for local market production. SEA works closely with the Legal department for manufacturing agreements, contracts, and other agreements with supply chain partners.

adidas engaged third-party organizations to conduct labor compliance monitoring and training in factories, among them GMIES and EMIH in Central America, and Global Standards and Global Social Compliance in 2004. adidas also mainstreamed labor compliance by involving Quality Control and Production staff and Continuous Improvement staff (Lean teams) in action plan follow-ups, verification, and some joint auditing.

3. Developments in adidas' Labor Compliance Program in 2004¹

A. Compliance Systems Developed in 2004

1. Guidelines for Sustainable Compliance

In 2004, adidas prepared the SEA team and its business partners for the additional obligation of implementing compliance management systems. Preparation included training and the development of supplier Guidelines for the Implementation of Sustainable Compliance and communicating to suppliers the benefits of compliance management systems that empower workers, promote positive industrial relations, and are fundamental components of developing a long-term business plan for growth and success. Successfully implemented management provides systems and methodologies to evaluate, measure and assess key performance indicators and business costs, for example turnover, re-recruitment and training, days lost to accidents, injuries, and absenteeism. adidas intends to roll-out the Guidelines for Implementation of

¹ 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 2004.

Sustainable Compliance to strategic footwear and apparel suppliers in early 2005. adidas 2005 Supplier Summits will include sessions on the implementation of the Guidelines.

2. Strategic Monitoring

In 2004, strategic monitoring practices were launched in the Americas, Asia, and Europe, pioneering exercises with a small internal working group and selected factories. There were 10 strategic monitoring exercises conducted in Thailand, China, Turkey, Honduras, and Mexico. The process includes new tools and approaches to identifying and eliminating root causes of noncompliance. The practice focuses on evaluating HR and HSE management systems, more rigorous crosschecking of findings, flowcharting key management systems components, and more comprehensive audit preparation.

In practical terms, strategic monitoring means deeper monitoring coverage of fewer suppliers, enhanced communication, and an increase in the frequency of a factory's compliance visits. In 2005, adidas plans to have continuous training and mentoring of additional strategic monitoring practitioners on the SEA team, who will apply the new monitoring system with a larger selection of factories.

3. Stakeholder Dialogues

adidas convened stakeholder dialogues and other group discussions in Asia, the Americas, and Europe.

- Asia: A dialogue was held in Malaysia in October, attended by factory managers, embassy officials, recruitment agents and migrant workers, and independent observers, where they explored issues affecting migrant workers. In Hong Kong in November, academics, journalists, NGOs and advocacy organizations met to discuss China and the potential impact from the end of quotas on textiles and garments, and the exercise of freedom of association and collective bargaining.
- Americas: Two stakeholder dialogues took place in El Salvador and Honduras in September. Factory workers, representatives from organized labor, and SEA team members, facilitated by local NGOs, met to discuss code awareness, freedom of association, and options for more effective compliance.
- Europe: adidas focused on engaging at all levels in supplier factories. For example in Turkey, adidas organised a four-day workshop for workers, supervisors, and managers to discuss effective communication systems, taking cultural aspects into consideration.

In addition, adidas engaged in 2004 with NGOs, worker rights groups, campaigners, student bodies, and the academic community in several ways, among them collaborative problem solving in Indonesia, dialogue on the continued use of kangaroo leather in the manufacturing of soccer boots, remedial actions that addressed allegations about working conditions in a garment factory in El Salvador, and dialogues about the Multifiber Agreement and its impact on adidas' sourcing strategies.

[Click here](#) to see the Year Two report on adidas.

B. Selected elements in Implementing the FLA Requirements

- The SEA team conducted 954 auditing visits in 2004. This included 154 in the Americas, 512 in Asia, and 288 in Europe. Increased attention was given to pre-production audits of potential suppliers, with the result that 107 factory sites were accepted, and 35 were rejected.
- adidas licensees continued to expand the scope of SOE monitoring by third party monitors, and in 2004, completed 60 audits of their suppliers. Factories to be audited were selected through compliance risk assessment and individual compliance histories. Updated and new tools for Strategic Monitoring -- risk assessment and institutional history -- were developed and tested in 2004.
- 36% of adidas Group's factories (301 out of 843 factories) were audited and rated; 318 out of 843 factories (38%) were visited by the SEA team.
- 194 factories were visited once in 2004, 67 were visited twice, 33 were visited three times, 17 were visited four times, and 7 factories were visited five times or more. 525 factories did not receive SOE visits in 2004. Less than 5% of the factory visits were unannounced.

[Click here](#) to review adidas' activities in Year Two.

4. FLA Independent External Monitoring in adidas' Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

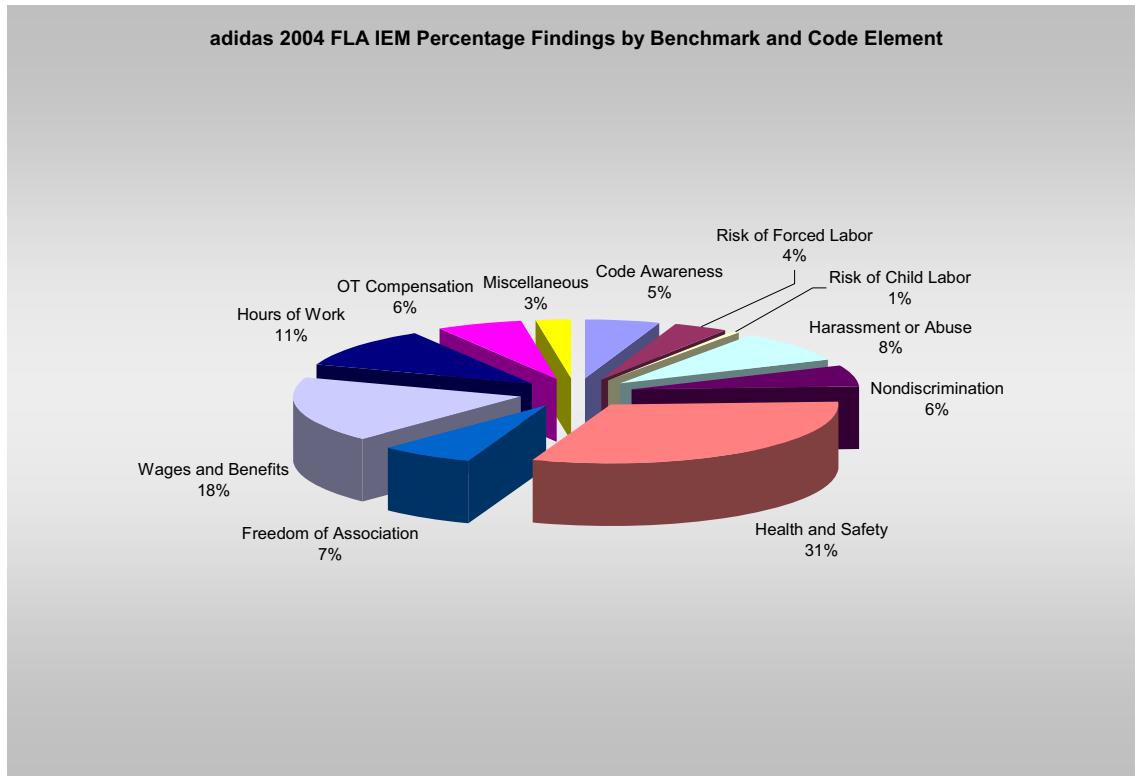
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and adidas' approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in adidas' Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in adidas' Applicable Facilities in 2004. It provides background information about the factories, the monitors, and their visits.

adidas Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		9
Remediation shared with other FLA Companies:		8
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		1,633
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	2	Société Générale de Surveillance (1), Kenan Institute Asia (1),
Southeast Asia -- Vietnam, Indonesia, Thailand	4	Global Standards (3), Bureau Veritas (1)
Americas -- Honduras, El Salvador, Mexico	3	A & L Group, Inc. (2), GMIES (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in adidas facilities, which adidas addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 31% of the total noncompliance issues identified.² The most commonly reported and remediated Health and Safety issues were related to general fire and health and safety legal issues, safety equipment, personal protective equipment, inadequate postings and evacuation procedures, and ventilation and electrical maintenance.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 35% of all findings related to **Wages and Benefits** (18%), **Hours of Work** (11%), and **Overtime Compensation** (6%). The top Wages and Hours of Work issues taken up by adidas through corrective actions plans were related to overtime limitations, overtime compensation, the factory's provision of legal benefits to workers, and accurate recording of hours worked.

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

² Health and safety are often the most evident and measurable noncompliance issues in a facility, and therefore figure very highly in the total number of findings.

complex and difficult to assess, such as Freedom of Association and Collective Bargaining, Nondiscrimination, and Harassment or 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 (4%) 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 remediation of all of the noncompliance issues mentioned above.

[Click here](#) ^{iv} to learn how the FLA collects the data that is illustrated in this chart.

adidas' FLA Applicable Facilities and Monitoring Activities in [2004](#)

In accordance with the FLA Charter, the chart below lists the countries where adidas' 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' <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
Albania	2	0	0
Bosnia Herzegovina	1	0	0
Bulgaria	5	3	0
Cambodia	4	4	0
Canada	1	0	0
China	63	34	2
Colombia	1	1	0
Croatia	1	0	0
El Salvador	9	8	1
Germany	5	0	0
Greece	3	2	0
Honduras	2	2	1
Hong Kong	3	3	0

Indonesia	21	201	1
Italy	5	0	0
Japan	2	1	0
Korea	1	0	0
Lao P.D.R.	2	0	0
Macedonia	3	0	0
Malaysia	7	3	0
Mexico	9	7	1
Morocco	3	2	0
Pakistan	3	0	0
Philippines	6	5	0
Poland	1	1	0
Portugal	28	1	0
Singapore	7	0	0
Spain	1	0	0
Taiwan R.O.C.	14	0	0
Thailand	22	17	2
Tunisia	10	4	0
Turkey	23	21	0
United Kingdom	2	0	0
United States	9	2	0
Ukraine	2	0	0
Vietnam	23	15	1
Total	304	156	9

ii

Third Parties Contracted by adidas for Compliance Support in 2004		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories
GMIES, EMIH	Freedom of Association training and workers rights awareness in El Salvador and Honduras	2

Universities, Colleges and Secondary Schools Licensing adidas

Name of School	Location
University of Alabama	Alabama
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 Denver	Colorado
Colorado State University	Colorado
Columbia University	New York
Dartmouth College	New Hampshire
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 Chicago	Illinois
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
Louisiana State University and A&M College	Louisiana
University of Louisville	Kentucky
Marquette University	Wisconsin
University of Maryland	Maryland
University of Maine at Farmington	Maine
University of Maine at Orono	Maine
Marquette University	Wisconsin
University of Maryland	Maryland
University of Miami	Florida
Michigan State University	Michigan
University of Missouri at Columbia	Missouri
University of Missouri at St. Louis	Missouri
University of Nebraska	Nebraska
University of New Hampshire	New Hampshire
University of New Mexico	New Mexico
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
Santa Clara University	California
University of South Florida	Florida
University of Texas at Austin	Texas
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 Wisconsin at Oshkosh	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut

ⁱⁱⁱ ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)ⁱⁱⁱ to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

5. adidas' Compliance Program: An FLA-Accredited Compliance Program

FLA Accreditation of adidas-Salomon's Labor Compliance Program 2005

In May 2005, the FLA Board of Directors voted to accredit adidas-Salomon's compliance program. The decision was based on an assessment by FLA staff that included audits both at headquarters and at the field level, and visits to a number of supplier facilities. In conducting the assessment, FLA staff interviewed adidas personnel, inspected files, observed annual compliance staff training, reviewed factory records, observed adidas field staff in factories, and analyzed findings from a total of 64 independent external monitoring visits conducted at adidas facilities over the course of the previous three years.

This accreditation assessment focused exclusively on adidas' compliance program during the initial implementation period, which lasted from July 2001 until December 2004. The compliance program implements FLA Standards in the factories that produce adidas apparel and footwear around the world (389 in Year One, 436 in Year Two, and 285 in Year Three – [click here](#) to see where they are located).

By accrediting adidas, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that adidas submitted upon entering the FLA. Accreditation does not 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.

[Click here](#)^v for more information about FLA accreditation

FLA Assessment of adidas' Compliance Program – In Brief

The FLA determined that adidas compliance staff is highly active in most factories producing products for adidas. Thirty-two full-time and five part-time staff comprise the Social and Environmental Affairs (SEA) team that undertakes the work of monitoring code implementation in adidas supplier factories. Regular presence in the majority of factories affords the compliance staff opportunities to coach factory management to make long-term improvements in compliance. Especially notable during the implementation period were adidas' efforts to develop effective worker management communication practices for workers, workers groups, employers, and unions. For example, adidas joined forces with four international brands and the European Trade Union Federation of Textiles, Clothing and Leather to develop a capacity building project in Bulgaria. The project took a "training the trainer" approach which enabled participating workers to return to their workplace and educate their colleagues on lessons learned; cultivating what has been called "improvement circles."

Overall, the company is an active participant in the FLA, and has encouraged 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 adidas fulfilled particular FLA requirements for accreditation.

[Click here to return to the full FLA 2005 Report on adidas.](#)

Adidas' Fulfillment of FLA Requirements for Program Accreditation *July 2001 through December 2004*

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

adidas-Salomon adopted the Standards of Engagement Code of Conduct in 1997 and updated it in 2001. The adidas-Salomon Standards of Engagement is posted on the company's website: <http://www.adidas-salomon.com/en/sustainability/coc/default.asp>

The company requests factories to inform workers of the code standards during orientation. The Social and Environmental Affairs (SEA) team conducts training on Standards of Engagement for suppliers as well as for internal departments within adidas. The FLA confirms that adidas-Salomon informs suppliers of its standards so suppliers can then inform workers.

The supplier agreement specifically refers to the code of conduct. Suppliers are required to sign a manufacturer's agreement committing to comply with these standards in order to engage in business with adidas.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

As part of adidas' internal monitor training, regional Social and Environmental (SEA) Heads accompany new SEA managers for on-the-job training and to assure a consistent monitoring methodology. adidas conducts ongoing training for the SEA team through several team meetings throughout the year. In 2004, adidas focused on strategic monitoring as its theme for ongoing training.

Provided Employees with Confidential Reporting Channels to Report Noncompliance Issues

adidas encourages the development of worker-management communication through trainings on grievance systems for both factory management and workers. These efforts included training on Freedom of Association in Central America by an NGO. FLA reviewed a schedule of trainings, including trainings on worker-management communication, in three countries.

adidas uses worker interviews as one element of establishing channels of communication for reporting noncompliance. In their interviews with workers, SEA monitors can provide business cards or contact numbers to allow for direct communication between workers and adidas. This practice varies by region.

Conducted Internal Monitoring of Applicable Facilities

adidas uses a risk-based model to prioritize factory audits. Audits consist of management interviews, worker interviews, factory walk-throughs and a records review. In audits accompanied by FLA staff, SEA monitors conducted the audits accordingly.

The adidas Strategic Monitoring tool is an audit instrument used to collect compliance information that seeks to identify root-causes of noncompliance through monitoring. adidas bases its remediation plans on an analysis of monitoring results, and maintains a database and e-room to track the progress of remediation. Progress is updated regularly by the Standards of Engagement manager, as well as sourcing staff.

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

adidas provided factory lists, factory profiles, and related information to the FLA as required during years one through three of initial implementation. adidas ensured that no FLA monitors were denied access to factories, records, or 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.

Collected and Managed Compliance Information

adidas has implemented a database for use in Asia, which the FLA has observed to be fully functional. For regions where the database is not fully functional, an 'e-room' platform is used, which acts as a repository of files, including audit reports, action plans and country profiles.

adidas analyzes compliance findings by factory to determine a rating, risk profile and remediation priorities for each factory.

adidas regularly provides systematic updates to the FLA about remediation progress on its IEMs.

Remediated Noncompliance Issues in a Timely Manner

Following an audit, the adidas SEA staff regularly develops a remediation plan with the supplier, which is implemented in a reasonable timeframe (usually 60 days). The FLA has confirmed this process and the timely submission of corrective action plans during adidas' three year implementation period.

Acted to Prevent Persistent Forms of Noncompliance

The company analyzes compliance information through a variety of perspectives, including factory ratings, audit findings, stakeholder dialogues, and studies commissioned by third parties to identify persistent and/or serious forms of noncompliance.

adidas has also sought to address major forms of non-compliance through participation in FLA projects (i.e., the Central America, Sustainable Compliance and Hours of Work projects), through training programs, and through other focused initiatives.

Additional details about adidas' projects can be accessed by clicking the "Compliance Program" tab above, or in the FLA's Year Two report on adidas.

Consulted with Civil Society (i.e., Labor, Human Rights, Religious or other Local Institutions)

adidas consulted with civil society on a regular basis, particularly in countries with challenging compliance issues, which was verified by a review of records, adidas annual reports, on-site visits with adidas staff, and IEM reports.

adidas, in collaboration with two other FLA Participating Companies, worked with experts and local NGOs to promote the formation and development of a health and safety worker committee in an adidas footwear facility in southern China.

adidas also reviewed collective bargaining agreements, where existing, as part of their monitoring efforts, and sought to ensure implementation and remediation was consistent with those agreements. FLA confirmed that questions on collective bargaining are included in the adidas audit instrument and in the adidas Employee Interview Questionnaire.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All adidas 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.

Eddie Bauer

1. Eddie Bauer's Company Profile

In May 2005, Eddie Bauer received the designation of FLA-Accredited Compliance Program. Please click on the "FLA Accredited Program" tab to read the accreditation report. [Click here](#) for a description of FLA Accreditation.

Company Name: **Eddie Bauer**

Year of FLA Implementation: **3rd year**

[See FLA Y2 report on Eddie Bauer](#)

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

[See FLA Accreditation Report](#)

Annual Consolidated Revenue in FY 2004 (millions): **\$1,100**

Company Status: **Emerged from Spiegel, Inc. Chapter 11 process as Eddie Bauer Holdings, Inc. in June 2005.**

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

Eddie Bauer® Apparel / 82.8%

Total Applicable Facilities Worldwide in FLA 2004:

202 applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

122 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

8 applicable facilities independently monitored by FLA

[More about Eddie Bauer's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

4 full-time and 16 part-time staff worldwide – based at corporate headquarters and in two regions: Asia and the Americas.

[Learn more about Eddie Bauer 's Compliance Program](#)

Third parties contracted by compliance team?

Yes

[See list of third parties and work conducted^{iv}](#)

Notes:

- **Eddie Bauer is included in [FLA Year One and Two](#) report.**

[See FLA Public Report Y2 for more information on Eddie Bauer](#)

2. Eddie Bauer 's Labor Compliance Program in 2004

The Eddie Bauer Global Labor Practice (GLP) program is responsible for overseeing the company's compliance activities and performance with respect to its Factory Workplace of Conduct. Eddie Bauer first adopted a code of conduct for its suppliers in 1995, which was termed "Eddie Bauer's Standards for Business Partnerships." When Eddie Bauer joined FLA, the company adopted the FLA Workplace Code of Conduct. In 2004, the Eddie Bauer Factory Workplace Code of Conduct was revised to reintroduce a provision on environmental standards. In addition, reference to the Spiegel Group in the Code was eliminated in accordance with restructuring of the company.

The GLP program is led by the Director of Public Affairs and Corporate Social Responsibility, who reports to the VP of Global Sourcing and Supply Chain Operations. The activities of the GLP program are carried out at corporate headquarters and through Eddie Bauer's sourcing agent office, Eddie Bauer International (EBI), in Hong Kong and Miami. Two full time compliance auditors employed by EBI in Hong Kong are responsible for monitoring factories in Asia, Africa, and Europe. Eight EBI account managers based in the countries of manufacture provide support to the monitoring process by translating documents and assisting in worker interviews. Two local field staff employed through the EBI Miami office share in responsibility for the monitoring of factories in the Americas region. In addition to its partnership with the Global Sourcing and Supply Chain Operations department, the GLP program also interfaces with the company's Licensing and International departments. Through these connections, the GLP program works to ensure that compliance with the Factory Workplace Code of Conduct is a condition of doing business with factories producing apparel for Eddie Bauer licensees and its joint ventures in Japan and Germany.

To support its monitoring efforts, Eddie Bauer used two third-party monitors, Global Social Compliance and Intertek Testing Services, to conduct pre-sourcing audits of prospective apparel factories for its core business, its licensees, and joint ventures. A total of 56 pre-sourcing audits were conducted in 2004.

3. Developments in Eddie Bauer 's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in Year Three

Eddie Bauer reported that in 2004 it made progress in expanding the scope and reach of its Global Labor Practice (GLP) program to the licensing and non-apparel areas. The GLP program worked actively with the Licensing Department to ensure that guidelines and expectations of labor compliance and accountability were established with potential licensees. This included requiring apparel licensees to submit to the pre-sourcing audit

process, and tracking the compliance progress of prospective factories to be used in the production of licensed apparel. The GLP program also conducted risk assessments and labor compliance audits of factories producing non-apparel products (which account for a small percentage of Eddie Bauer's overall business). The objective of the risk assessments was to determine the feasibility of progressively expanding the formal monitoring process to cover these products.

[Click here](#) to see the Year Two report on Eddie Bauer.

B. Selected Elements in Implementing the FLA Requirements

- Eddie Bauer targeted active apparel factories for internal monitoring visits in 2004 based on risk and the factory's due date for an audit. For facilities that are re-activated during different seasons of the year, factory visits were scheduled based on risk considerations. Most internal monitoring visits were announced, but 10% of such visits were unannounced.
- All prospective apparel factories were subject to a pre-sourcing labor compliance audit conducted by a third party monitor, and had to be in substantial compliance before production could be placed. In 2004, 30% of prospective apparel factories were considered "failed" on the basis of the initial audit results; about a third of the factories were later approved for production after subsequent improvements in compliance were verified through follow-up audits.
- Eddie Bauer Global Labor Practice program staff from corporate headquarters and from Hong Kong met with two workers rights NGOs in May 2004 in Hong Kong to discuss such issues as the impact of the elimination of textile and apparel quotas in 2005, migrant labor, government enforcement of labor laws, and corporate codes of conduct. Compliance staff also met with officials from a labor resource center in India to learn about their programs and discuss prevailing working conditions and local industry practices.

[Click here](#) to review Eddie Bauer's activities in Year Two.

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

A. An Introduction to FLA Independent External Monitoring

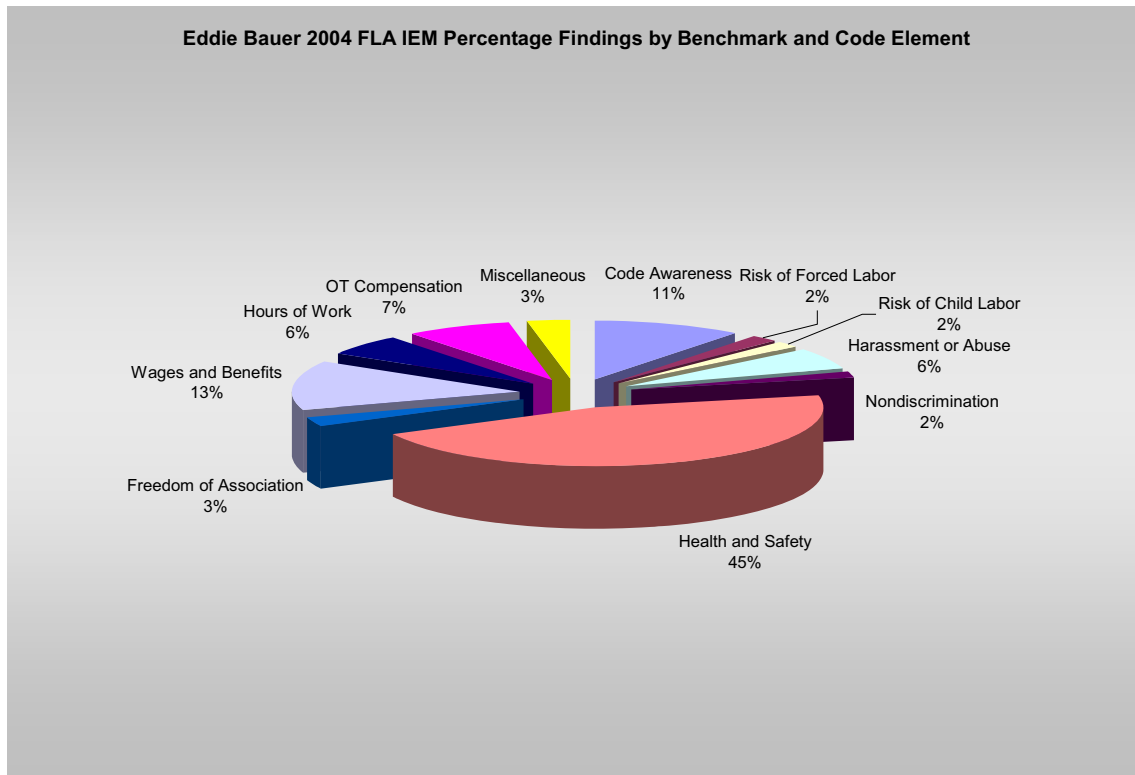
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://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 2004 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 2004. It provides background information about the factories, the monitors, and their visits.

Eddie Bauer Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		8
Remediation shared with other FLA Companies:		4
Remediation undertaken independently:		4
Average number of workers per independently monitored facility: 1212		
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Hong Kong	5	Société Générale de Surveillance (4), Global Standards (1)
South Asia -- Sri Lanka	2	T-Group (1), T-Group/Bureau Veritas (1)
Americas -- USA	1	Cotecna/GMIES (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Eddie Bauer’s facilities, which Eddie Bauer addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 45% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to posting and evacuation procedures, poor ventilation, electrical and facility maintenance, safety equipment and personal protective equipment.

Noncompliance with the FLA’s Wages and Hours of Work was also common, with a total of 26% of all findings related to **Wages and Benefits** (13%), **Hours of Work** (6%), and **Overtime Compensation** (7%). The top Wages and Hours of Work issues taken up by Eddie Bauer through corrective action plans were related to overtime limitations, overtime compensation, payment of minimum wages, the factory’s provision of legal benefits to workers and provision of leave and holiday benefits. Noncompliance with **Code Awareness** represented 11% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were lack of management and worker awareness of the code and the lack of or ineffective confidential reporting channel.

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 Eddie Bauer. Likewise there were no findings of underage workers in these facilities. The **Forced Labor** (2%) and **Child Labor** (2%) 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 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.

[Click here^{iv}](#) to learn how the FLA collects the data that is illustrated in this chart.

^{iv} **Eddie Bauer's FLA Applicable Facilities and Monitoring Activities in [2004](#)**

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 <u>Applicable Facilities</u>	Eddie Bauer <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
Bangladesh	1	0	0
Brunei	4	4	0
Cambodia	7	4	0
Canada	3	0	0
China	83	41	4
Colombia	1	1	0
Dominican Republic	5	1	0
El Salvador	1	0	0
Guatemala	1	0	0
Hong Kong	14	14	1
Indonesia	2	2	0
India	10	0	0
Korea	2	2	0
Macau	5	5	0
Mauritius	12	12	0
Mexico	3	0	0
Nicaragua	1	0	0
Pakistan	5	5	0
Peru	2	0	0
Philippines	2	0	0
Singapore	2	2	0
Sri Lanka	7	7	2
Taiwan	5	4	0
Thailand	8	8	0
Turkey	5	5	0
United States	5	0	1
Vietnam	6	5	0
Zimbabwe	1	0	0
TOTAL	202	122	8

iv

Third Parties Contracted by Eddie Bauer for Compliance Support in 2004		
Name of monitoring group, agent, etc.	Work conducted	Number of factories monitored, if applicable
Global Social Compliance	Pre-sourcing Audits – Cambodia, China, Hong Kong, India, Indonesia, Korea, Macau, Pakistan, Sri Lanka, Thailand, Turkey and Vietnam	55
Intertek Testing Services	Pre-sourcing Audit -- Colombia	1

5. Eddie Bauer's Compliance Program: An FLA-Accredited Compliance Program

FLA Accreditation of Eddie Bauer's Labor Compliance Program 2005

In May 2005, the FLA Board of Directors voted to accredit Eddie Bauer's Global Labor Practice compliance program. The decision was based on an assessment by FLA staff that included audits both at headquarters and at the field level, and visits to a number of supplier facilities. In conducting the assessments, the FLA staff interviewed Eddie Bauer personnel; inspected files; observed the annual compliance staff training; reviewed factory records, observed Eddie Bauer field staff in factories, and analyzed findings from a total of 32 independent external monitoring visits conducted at Eddie Bauer facilities over the course of the previous three years.

This accreditation assessment focused exclusively on Eddie Bauer's compliance program during the initial implementation period, which lasted from July 2001 until December 2004. The compliance program implements FLA Standards in the factories that produce Eddie Bauer around the world (309 in Year One, 288 in Year Two, and 203 in Year Three – [click here](#) to see where they are located).

By accrediting Eddie Bauer, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that Eddie Bauer submitted upon entering the FLA. Accreditation does not 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.

[Click here](#)^v for more information about FLA accreditation.

FLA Assessment of Eddie Bauer's Compliance Program – In Brief

The FLA determined that Eddie Bauer's Global Labor Practice staff is highly active in most factories producing for Eddie Bauer. Eddie Bauer employs two full-time compliance staff in the U.S. who work closely with two other compliance staff at Eddie Bauer International (EBI). EBI employs 16 staff members as Labor Practice Assistants, who take on partial compliance responsibilities in addition to their full-time work. Eddie Bauer contracts with Third Party Monitors to assist the company in its monitoring efforts. Regular presence in the majority of factories affords the Global Labor Practice staff opportunities to coach factory management to make long-term improvements in compliance. Especially notable during the implementation period were Eddie Bauer's efforts to outreach to local sources to gain a better understanding of worker issues. For example, the compliance staff met with two workers' rights NGOs in Hong Kong in 2004

to discuss issues such as the elimination of MFA quotas in 2005, migrant labor, and government enforcement of labor law and corporate codes of conduct.

It is important to note that the bankruptcy of Eddie Bauer's parent company, Spiegel, Inc., in March 2003 limited the focus of Eddie Bauer's compliance program to meeting the minimum requirements for FLA participation. The fact that the compliance program was retained during the corporate restructuring demonstrates Eddie Bauer's view that the Global Labor Practice program is an essential component of the program. The company has encouraged 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 Eddie Bauer fulfilled particular FLA requirements for accreditation.

[Click here to return to the full FLA 2005 Report on Eddie Bauer.](#)

Eddie Bauer's Fulfillment of FLA Requirements for Program Accreditation *July 2001 through December 2004*

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

In 2001, Eddie Bauer revised its Factory Workplace Code of Conduct (originally adopted in 1995) to meet FLA standards. The company disseminates the code in a variety of ways. The code of conduct appears in written materials provided to all vendors and in the "Vendor Labor Practice Update" newsletter. Additionally, Eddie Bauer conducts vendor trainings and seminars to reinforce the code elements represented in its program standards. At the factory level, Eddie Bauer provides the code in 22 languages and expects management to inform employees of the standards both verbally and in writing.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

In addition to the four full-time and 16 part-time staff who comprise the compliance team for Eddie Bauer and Eddie Bauer International, the company contracts with a third party monitor, Global Social Compliance (GSC), to assist it in its monitoring efforts. Eddie Bauer met with GSC to review the monitor's auditing philosophy and procedures, and to provide training on Eddie Bauer's expectations, philosophy, and procedures. Eddie Bauer used FLA independent external monitoring to spot-check the quality of GSC's work.

The company employs a Senior Labor Practice Compliance Auditor, who provides initial and on-going training to compliance officers. According to interviews with EBI staff, these training sessions have been conducted in each of the three implementation years.

Provided Employees with Confidential Reporting Channels to Report Noncompliance

Eddie Bauer requires its auditors to report on the state of factory internal grievance procedures. Monitors gather information about internal grievance procedures through worker and management interviews and make recommendations to factories to improve communication and grievance systems.

FLA review of Eddie Bauer tracking charts reveal that in 2004, Eddie Bauer improved in providing factories with more detailed information about establishing internal grievance systems. Also in 2004, the company revised its Code of Conduct poster to include contact information for local Eddie Bauer representatives.

Conducted Internal Monitoring of Applicable Facilities

Eddie Bauer uses a Risk Assessment tool to prioritize factory audits; it audits its most active factories at least once annually. The audit process includes worker interviews, records review, management interviews, and a factory tour. Information garnered from the audit is recorded in a database designed to track all monitoring activities, including due dates and progress of remediation plans.

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

Eddie Bauer provided factory lists, factory profiles, and related information to the FLA as required during years one through three of implementation. Eddie Bauer ensured that no FLA monitors were denied access to 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.

Collected and Managed Compliance Information Effectively

Eddie Bauer uses a database, Allegro, to collect and organize Eddie Bauer International factory compliance information. It organizes noncompliance by code element, which allows for tracking of audit findings.

Eddie Bauer reports on its compliance activities and results to the FLA on an annual basis.

Remediated Noncompliance Issues in a Timely Manner

According to the EBI auditors, factories submit their remediation plans within two weeks of an audit. Deadlines for corrective action plans are set by auditors, with the agreement of vendors. EDI Auditors communicate audit findings to the factory management at the end of an audit and clearly indicate areas for improvement and a desirable timeframe to achieve remediation goals.

In the Eddie Bauer database, audits with unacceptable results are marked with a "U," indicating that no future orders can be placed with the factory. Verification of remediation must take place before further orders are given.

Acted to Prevent Persistent Forms of Noncompliance

The Senior Labor Compliance Auditor provides a monthly update of the program to the Director of Sourcing which reflects the key compliance issues in Eddie Bauer contract factories. When non-compliance issues are identified that could impact compliance at factories in other countries or regions, Eddie Bauer alerted these other factories via memos or in the "Compliance Tips" section of its newsletter. The "Compliance Tips" section advises vendors about ways to prevent noncompliance in their factories.

Additional details about Eddie Bauer's projects can be accessed by clicking the "Compliance Program" tab above, or in the FLA's Year Two report on Eddie Bauer.

Consulted with Civil Society (i.e., Labor, Human Rights, Religious or other Local Institutions)

During its implementation period, Eddie Bauer has met with over twenty organizations in more than 10 countries. The FLA verified Eddie Bauer's attendance at the FLA NGO consultation in Bangkok in 2003, and in 2004, the Senior Labor Compliance Officer and the Director met with two workers rights NGOs in Hong Kong and a labor resource center in India to discuss issues directly related to factory compliance, such as migrant labor, labor law enforcement, and home workers.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All Eddie Bauer 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.

GEAR For Sports

1. GEAR For Sports Company Profile

Company Name: **GFSI, Inc.**

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

[See FLA Y2 Report on GEAR For Sports](#)

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

Annual Consolidated Revenue in FY 2004 (millions): **\$176**

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

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

GEAR For Sports® / 62%
Champion Custom Products® / 38%

Total Applicable Facilities Worldwide in FLA 2004:

37 applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

18 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

1 applicable facility independently monitored by FLA

[More about GEAR's IEM visits in 2004](#)

[See individual factory tracking chart](#)

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.

[Learn more about GEAR's Compliance Program](#)

Third parties contracted by compliance team? **Yes** [See list of third parties and work conducted^{iv}](#)

Notes:

GEAR For Sports is an FLA Category A University Licensee.

[Click here to view list of universities^{iv}](#)

[Access FLA database to learn about where licensed goods are produced.](#)

2. GEAR For Sports' Labor Compliance Program in 2004

GEAR for Sports ("GEAR") completed the second year of its initial implementation period of the FLA program in 2004. GEAR's Global Human Rights Program is responsible for administering the GEAR for Sports/Champion Custom Code of Conduct, which corresponds with the FLA Code of Conduct. The Global Human Rights Program is managed by the Director of Logistics, Customs and Global Human Rights, who is located at the corporate headquarters, and reports to the Senior Vice President of Supply Chain. GEAR uses the staff of Country Manager Offices and Buying Agents Offices (primarily Quality Control staff) to conduct factory audits and the necessary follow-up, training, and communications. Additionally, staff from corporate headquarters (Sourcing, Quality Assurance and Logistics, Customs and Global Human Rights Departments) visits the factories 2-4 times per year, on average.

In 2004, GEAR's labor compliance staff consisted of ten part-time persons, one at headquarter and 9 in Asia, Latin America, and Mexico. GEAR contracted with Worldwide Responsible Apparel Production (WRAP) for compliance support in 7 factories.

3. Developments of in GEAR For Sports' Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

GEAR reported that the focus of its labor compliance program in 2004 was on additional training, improved computer tracking systems, and improved communications between managers and factory workers.

- Compliance staff participated in several training sessions, among them general human rights training conducted at headquarters and in Latin America by the Director of Logistics, Customs, and Human Global Human Rights; training on FLA auditing at headquarters by a member of the FLA staff; and on-site factory audit training in Honduras and Peru for GEAR staff by experts from the FLA and WRAP.
- Expansion of communication links between management and factory workers on Code requirements, and development of a third party complaint procedure that workers can use to raise code violations. GEAR's Code of Conduct was amended to include a third party complaint procedure and the Director of Logistics, Customs, and Global Human Rights discussed this issue in detail with Country Manager staff and factory management during a December 2004 visit to Honduras, Guatemala, Colombia, and Peru.

B. Selected Elements in Implementing the FLA Requirements

In the second year of FLA implementation, GEAR's sourcing structure shifted from a Buying Agent office to primarily a Country Manager office structure; the Country Manager office personnel are full-time, dedicated contract employees. This new structure gives GEAR staff a more hands-on involvement in labor compliance activities.

GEAR targeted 100% of all factories for internal audit (GEAR uses WRAP certification as internal auditing) and conducted such auditing on all “current” factories with the exception of two. GEAR’s compliance focus was on Latin America, the region that provides 65% of the company’s garment sourcing. GEAR remediated noncompliances related to worker/management awareness of codes, safety and health (inadequate information about fire drills, lack of risk assessments, misplacement of fire extinguishers, lack of personal protection safeguards on machinery), and hours of work.

4. FLA Independent External Monitoring in GEAR For Sports’ 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. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company’s progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://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 2004 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 2004. It provides background information about the factories, the monitors, and their visits.

GEAR For Sports Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		1,900
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Americas -- Peru	1	Cotecna (1)

C. Independent External Monitoring Results

The single independent external monitoring event in 2004 at a factory contracted by GEAR for Sports revealed two instances of noncompliance, both related to the Code Awareness Provision of the FLA Workplace Code of Conduct. The two noncompliances, remediated by GEAR, referred to the Worker/Management Code Awareness and Confidential Noncompliance Reporting Channel benchmarks. The very low number of noncompliances identified by the monitor in this factory represented a statistical outlier and the FLA engaged in a dialogue with the monitor on the monitoring methodology and techniques employed in order to better understand the unusual results.

iv GEAR For Sports' FLA Applicable Facilities and Monitoring Activities in [2004](#)

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)
Cambodia	2	1	0
China	3	2	0
Columbia	3	0	0
Guatemala	2	0	0
Honduras	2	1	0
Indonesia	2	2	0
Korea	1	0	0
Malaysia	3	1	0
Mexico	3	1	0
Peru	6	4	1
Philippines	1	0	0
Singapore	1	0	0
Thailand	1	0	0
Vietnam	7	6	0
TOTAL	37	18	1

Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
WRAP	WRAP Auditing Certification	7

Universities, Colleges and Secondary Schools Licensing GEAR For Sports (including Champion Custom Products)

Name of School	Location
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 Long Beach	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
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

Gildan Activewear

1. Gildan Activewear Company Profile

Company Name: **Gildan Activewear**

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

FLA Initial Implementation Period Ends: **Dec 2007**

Annual Consolidated Revenue in FY 2004 (millions): **\$533**

Company Status: **Public [NYSE and TSX: Gildan]**

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

Gildan Activewear / 100%

Total Applicable Facilities Worldwide in FLA 2004:

29 applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

23 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

1 applicable facility was independently monitored by FLA

[More about Gildan's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

2 full-time staff at company headquarters coordinates with an additional two full-time and five part-time regional staff members based in Central America and Mexico.

[Learn more about Gildan's Compliance Program](#)

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

[See list of third parties
and work conducted^{iv}](#)

Notes:

- **Gildan was involved in remediation of a third party complaint during the reporting period:**
 - **Complaint received in December 2003 regarding a facility in Honduras -- extensive remediation and follow-up in 2004 and 2005; for more information please read the Third Party Complaint case study.**

[See FLA Third Party Complaint Report](#)

2. Gildan's Labor Compliance Program in 2004

In 2004, Gildan completed the first year of its initial implementation period of the FLA program. Gildan's Social Compliance Program is responsible for ensuring compliance with the FLA Code of Conduct. During the reporting period, the position of Director of Social Compliance was created and filled at the corporate headquarters; the Director reports to two vice presidents with responsibilities for Legal Affairs and Human Resources policies for all company activities. The Director of Social Compliance was supported by one full-time staff member at headquarters, and two full-time and five part-time compliance staff members in the field, located in Central America and Mexico.

Gildan contracted with Accordia Inc. for internal monitoring of the FLA Workplace Code of Conduct at 23 facilities, 6 located in Canada, 2 in the United States, 3 company-owned and 3 contract factories in Honduras, 1 company-owned and 2 contract facilities in Haiti, 2 contract factories in El Salvador, 1 company-owned and 1 contract factory in Nicaragua, and 2 company-owned facilities in Mexico.

3. Developments in Gildan's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In its first year of implementation of the FLA program, Gildan made progress in the following areas:

- Staffing of Social Compliance Program and training of corporate staff and of regional staff and factory management on the FLA Workplace Code of Conduct and Monitoring Principles.
- Communicating obligations and expectations of FLA participation to regional staff and factory management and seeking their acceptance of such obligations and expectations; building awareness among workers about FLA code requirements; providing employees with confidential reporting channels.
- Establishing relationships with local NGOs with knowledge of local issues and concerns of workers and with international NGOs involved in labor compliance issues.

B. Selected Elements in Implementing the FLA Requirements

The primary focus of Gildan's Social Compliance Program in 2004 was the remediation of issues identified during an FLA independent external monitoring visit at a Honduras sewing facility. Secondly, the company followed up on conditions imposed by the FLA Board subsequent to the announcement of the closure of a facility. Overall, the company made significant progress in remediating noncompliance issues, as acknowledged by the FLA Board of Directors in its December 10, 2004, statement.

4. FLA Independent External Monitoring in Gildan's [Applicable Facilities](#)

A. An Introduction to FLA Independent External Monitoring

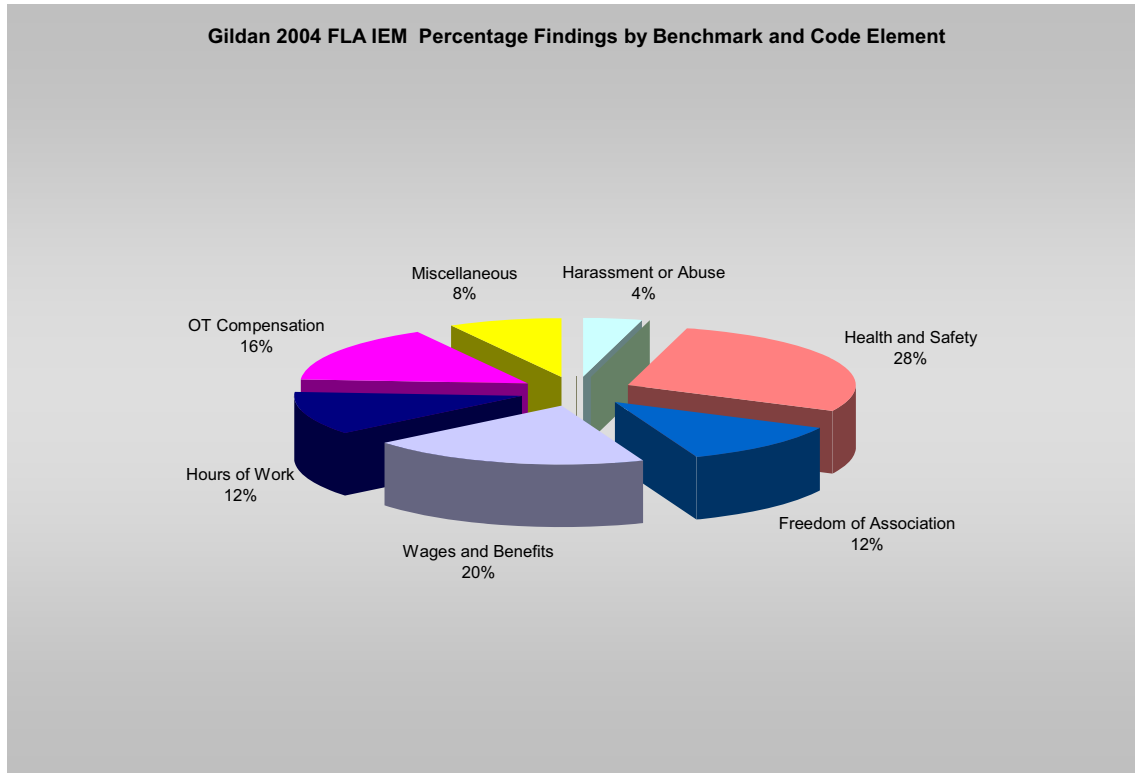
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Gildan's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in Gildan's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Gildan [applicable facilities](#) in 2004. It provides background information about the factories, the monitors, and their visits.

Gildan Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		1,900
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Americas -- Honduras	1	A & L Group, Inc. (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Gildan’s facilities, which Gildan addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 28% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, safety equipment, personal protective equipment, and sanitation in the facility.

Noncompliance with the FLA’s Wages and Hours of Work was also common, with a total of 48% of all findings related to **Wages and Benefits** (20%), **Hours of Work** (12%), and **Overtime Compensation** (16%). The top Wages and Hours of Work issues taken up by Gildan through corrective actions 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 Gildan. Likewise there were no findings of underage workers in these facilities. 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 Gildan’s approach to remediation of all of the noncompliance issues mentioned above.

[Click here](#)^{ix} to learn how the FLA collects the data that is illustrated in this chart.

iv **Gildan’s FLA Applicable Facilities and Monitoring Activities in 2004**

In accordance with the FLA Charter, the chart below lists the countries where Gildan’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	Gildan Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Canada	6	6	0
Dominican Republic	1	0	0
El Salvador	2	2	0
Haiti	6	3	0
Honduras	7	6	1
Mexico	2	2	0
Nicaragua	2	2	0
United States	3	2	0
TOTAL	29	23	1

^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Liz Claiborne, Inc.

1. Liz Claiborne, Inc. Company Profile

In May 2005, Liz Claiborne, Inc. received the designation of FLA-Accredited Compliance Program. Please click on the "FLA Accredited Program" tab to read the accreditation report. [Click here](#) for a description of FLA Accreditation.

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

Year of FLA Implementation: **3rd year**

[See FLA Y2 report on LCI](#)

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

[See FLA Accreditation Report](#)

Annual Consolidated Revenue in FY 2004 (millions): **\$ 4,241**

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

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

The following brands make up 54% of LCI revenue:

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

**Brands added to Monitoring Program: Laundry® by Shelli Segal, Lucky Brand Jeans®*

**New LCI Brands added to Liz portfolio and under the Monitoring Program: Curve®, Intuitions®, Jane Street®, Realities®, Swe®*

Total Applicable Facilities Worldwide in FLA 2004:

329 (active factories including De Minimis) applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

182 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

11 applicable facilities independently monitored by FLA

[More about LCI's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

7 full-time and 7 part-time staff worldwide – based in various countries, with headquarters in U.S.

[Learn more about LCI's Compliance Program](#)

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

[See list of third parties and work conducted^{IV}](#)

Notes:

- LCI is included in [FLA Year One and Two](#) report.

2. Liz Claiborne, Inc.'s Labor Compliance Program in 2004

LCI's Standards of Engagement are based on the FLA Workplace Code of Conduct. The Vice President of Human Rights Compliance, who reports to the Senior Vice President/General Counsel, is responsible for implementation of the labor compliance program. The Vice President of Human Rights Compliance is a member of the Allocation Committee responsible for production and factory allocations for future seasons, and participates in periodic meeting with corporate and divisional manufacturing executives to discuss sourcing and compliance issues concerning LCI factories around the world.

In 2004, LCI's labor compliance staff consisted of 14 full time persons, 7 located at headquarters and 7 in the field. LCI contracted with several third-party organizations to conduct compliance support in 2004, among them P.B.M.S. (Korea and Guatemala), T-Group Solutions (India), WIRE (Jordan), Global Social Compliance, CSCC, and Labor Law, the latter two professional auditing firms providing external monitoring to newly added brands (Lucky Brand Jeans and Laundry by Shellli Segal).

3. Developments in Liz Claiborne, Inc.'s Labor Compliance Program in 2004^{IV}

A. Compliance Systems Developed in 2004

In 2004, LCI reported that it continued its efforts to address relating to hours of work and overtime wages in China and compliance with mandatory social benefits in countries such as Korea. The LCI compliance team continued to develop relationships with management of Chinese factories 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 contacts to key facilities in order to chart their progress in ensuring "reasonable" work hours and fair wage payments.

LCI found that non-enrollment in social security is a common noncompliance in Korean factories, where workers often prefer not to enroll in order not to make their required contribution (4.5% of wages). LCI's agent met with factory management to establish

social security enrollment goals and with workers to discuss the long-term benefits of enrollment.

[Click here](#) to see the Year Two report on LCI.

B. Selected Elements in Implementing the FLA Requirements

- In 2004, two new apparel divisions, Lucky Brand Jeans and Laundry by Shelli Segal, were added to the monitoring program.
- LCI increased internal monitoring to 55% of all active applicable facilities. Monitoring was targeted at facilities based on risk (previous compliance records and country risks), supplier ranking in terms of production volume, and date of last audit. LCI conducted approximately 40 return visits to follow up on payroll violations, excessive overtime, and more serious noncompliance issues. All new factories added to the roster were audited.
- Through its confidential reporting channel, LCI received 6 complaints from workers regarding plants in China, El Salvador, Guatemala, and Jordan. LCI investigated all of the complaints and took action as appropriate, including ending business relationship with one factory in China.

[Click here](#) to review LCI's activities in Year Two.

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

A. An Introduction to FLA Independent External Monitoring

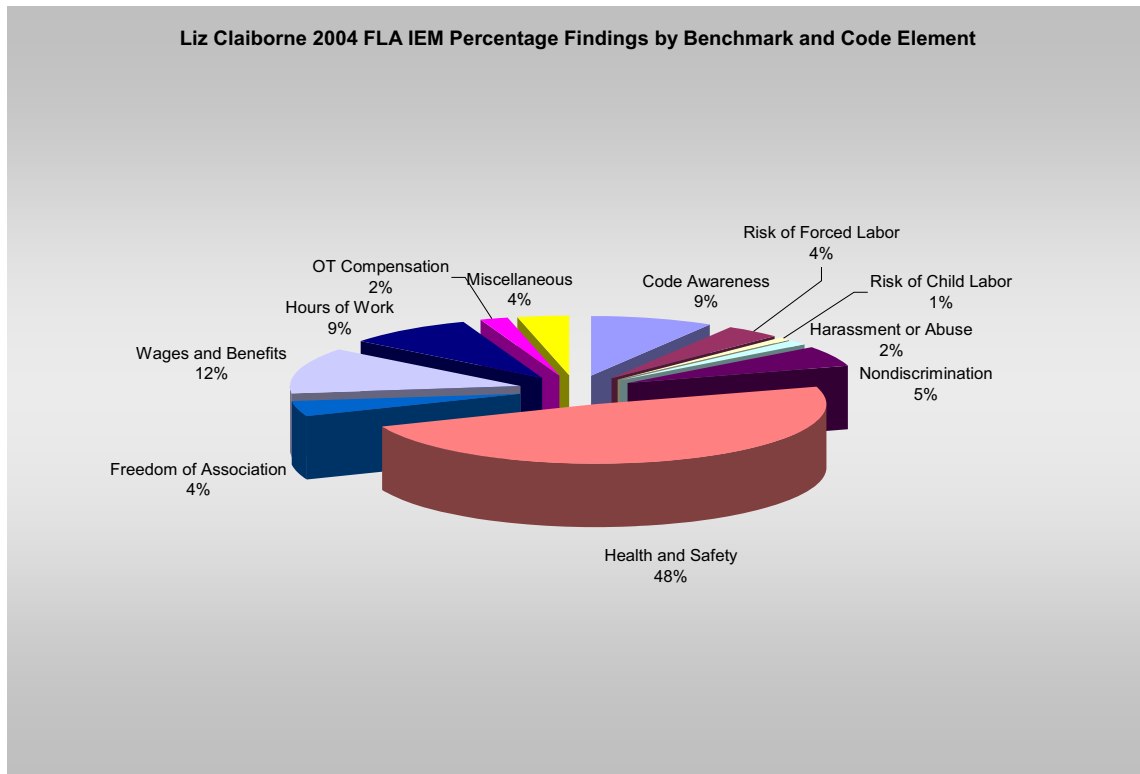
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://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 Liz Claiborne's Applicable Facilities in 2004. It provides background information about the factories, the monitors, and their visits.

LCI Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		11
Remediation shared with other FLA Companies:		4
Remediation undertaken independently:		7
Average number of workers per independently monitored facility:		1,253
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Korea	3	Global Standards (3)
Southeast Asia -- Indonesia, Vietnam	3	Société Générale de Surveillance (1), Bureau Veritas (2)
South Asia -- India, Sri Lanka	3	T-Group Solutions (2), Société Générale de Surveillance (1)
Americas -- Dominican Republic, Mexico	2	A & L Group, Inc (1), Cotecna (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Liz Claiborne's facilities, which Liz Claiborne addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 48% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, poor ventilation, electrical and facility maintenance, personal protective equipment, and poor sanitation in dormitories.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 23% of all findings related to **Wages and Benefits** (12%), **Hours of Work** (9%), and **Overtime Compensation** (2%). The top Wages and Hours of Work issues taken up by Liz Claiborne through corrective actions plans were related to overtime limitations, poor time and payroll recording systems and the factory's provision of legal benefits to workers. Noncompliance with **Code Awareness** represented 9% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were a lack of code awareness among workers and management code and the absence of a functioning confidential communication channel.

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 Liz Claiborne. Likewise there were no findings of underage workers in these facilities. The **Forced Labor** (4%) and **Child Labor** (1%) 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 these and other FLA Code provisions, and visit the [FLA factory tracking charts](#) to learn more about Liz Claiborne's approach to remediation of all of the noncompliance issues mentioned above.

[Click here](#)^{iv} to learn how the FLA collects the data that is illustrated in this chart.

^{iv} **[Liz Claiborne, Inc.'s FLA Applicable Facilities and Monitoring Activities in 2004](#)**

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)
Bangladesh	1	0	0
China	110	48	2
Colombia	4	0	0
Dominican Republic	7	0	1
El Salvador	1	1	0
Guatemala	3	0	0
Honduras	2	2	0
Hong Kong	45	16	0
India	38	37	1
Indonesia	15	10	2
Italy	2	0	0
Japan	0	0	0
Jordan	3	3	0
Korea	51	15	1
Macau	8	5	0
Macedonia	4	0	0
Madagascar	0	0	0
Malaysia	0	0	0
Mauritius	0	0	0
Mexico	14	7	1
Mongolia	1	1	0
Mauritius	2	2	0
Peru	4	2	0
Philippines	10	4	0
Saipan	7	3	0
Sri Lanka	17	7	2
Taiwan	12	6	0
Thailand	9	5	0
Turkey	12	5	0
United Kingdom	1	0	0
Vietnam	9	5	1
Total	389 (60 Less Active = 329)	182	11

Third Parties Contracted by Liz Claiborne, Inc. for Compliance Support		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
T-Group Solutions	Full compliance audits -- India	40
WIRE	Full compliance audits -- Jordan	3
Global Social Compliance	Full compliance audits in various countries	35
CSCC	Full compliance audit (Laundry by Shelli Segal)	10
Labor Law	Full compliance audit (Lucky Brand Jeans)	20

**This table does not take into account all site visits conducted by LCI's agents. Agents who source for LCI, but are not LCI employees, are required to conduct a pre-assessment for every new factory and follow up site inspections to ensure action plans are being implemented in a timely manner.*

5. LCI's Compliance Program: An FLA-Accredited Compliance Program

FLA Accreditation of Liz Claiborne Inc.'s Labor Compliance Program 2005

In May 2005, the FLA Board of Directors voted to accredit Liz Claiborne Inc.'s compliance program. The decision was based on an assessment by FLA staff that included audits both at headquarters and at the field level, and visits to a number of apparel supplier facilities. In conducting the assessment, FLA staff interviewed LCI's personnel, inspected files, observed the annual compliance staff training, reviewed factory records, observed Liz Claiborne field staff in apparel factories, and analyzed findings from a total of 40 independent external monitoring visits conducted at LCI's facilities over the course of the previous three years.

This accreditation assessment focused exclusively on LCI's compliance program during the initial implementation period, which lasted from July 2001 until December 2004. The compliance program implements FLA Standards in the factories that produce LCI's apparel around the world (338 in Year One, 273 in Year Two, and 390 in Year Three – [click here](#) to see where they are located).

By accrediting LCI's program, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that Liz Claiborne Inc. submitted upon entering the FLA. Accreditation does not 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.

[Click here^v](#) for more information about FLA accreditation.

FLA Assessment of LCI's Compliance Program – In Brief

The FLA determined that LCI compliance staff is highly active in most factories producing for Liz Claiborne Inc. The LCI Human Rights Compliance Program employs six full-time compliance officers who work under the US-based Vice President of Human Rights. LCI also works with third party monitors to assist the company in its compliance efforts. Regular presence in the majority of factories affords the compliance staff opportunities to coach factory management to make long-term improvements in compliance. Especially notable during the implementation period were LCI's efforts to evaluate the effectiveness of its monitoring program per region by participating in special initiatives. For example, LCI attended a series of meetings with representatives from the ILO, local government, monitoring groups and trade unions in Sri Lanka to seek agreement upon acceptable standards and credible third party monitoring program. The program sought to minimize audit redundancies and set high standards for the factories in order to promote a competitive edge for Sri Lankan manufacturers.

Overall, the company is an active participant in the FLA, and has encouraged apparel 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 LCI fulfilled particular FLA requirements for accreditation.

[Click here to return to the full FLA 2005 Report on Liz Claiborne.](#)

**Liz Claiborne's Fulfillment of
FLA Requirements for Program Accreditation**
July 2001 through December 2004

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

LCI's workplace code of conduct, "Standards of Engagement," is disseminated in a variety of ways—through a contractor package distributed to all vendors, in business agreements with purchasing agents, on LCI's contractor website, and posted in local languages in factories. LCI requested factory managers not only to post the code, but to communicate verbally the standards to workers. LCI monitors track code awareness among workers.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

LCI uses an "LCI Compliance Document" as the primary reference for its auditors. New auditors participate in on-the-job training in which they are paired with experienced auditors for a two-month period before they begin conducting audits on their own. LCI compliance officers and third-party agents participate in external trainings relating to labor laws and practices. These auditors also have access to the Business for Social Responsibility website.

Provided Employees with Confidential Reporting Channels to Report Noncompliance

In their audits, LCI auditors verify the existence of grievance procedures and conduct training presentations for vendors on the LCI grievance policy.

To study the effectiveness of grievance procedures in factories, LCI contracted a third-party monitor to conduct a study on worker management communication channels in South Asia. The FLA noted that the findings of the study were based primarily on information from managers, rather than the opinions of workers.

Conducted Internal Monitoring of Applicable Facilities

Internal audits were conducted each year prioritized by risk, supplier ranking, and date of last audit. LCI reports that it aims to audit half of its active factories each year. Audit reports were analyzed to identify trends and common non-compliances by region. LCI uses this analysis to create remediation strategies appropriate to the type of non-compliance found for each factory. FLA found this process helpful in identifying the key issues.

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

LCI provided factory lists, factory profiles, and related information to the FLA as required during years one through three of the initial implementation period. LCI ensured that no FLA monitors were denied access to 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.

Collected and Managed Compliance Information Effectively

LCI uses a database exclusive to Asia to collect and organize factory compliance information. It contains the basic information of factory names, location, business status with LCI (active or inactive), dates of each audit, and major issues disclosed by the audits.

LCI manually analyzes compliance findings by factory and country to determine serious non-compliance issues. FLA reviewed the summaries of these findings and noted that the database does not generate a report tracking overall trends. At the time of this review, the database was still under development.

Remediated Noncompliance Issues in a Timely Manner

Within two weeks of an audit, the LCI Compliance team sends each factory a corrective action plan requesting a remediation plan that includes a timeline and a person designated to oversee the remediation. The factory must submit this plan within thirty days. The auditor or the senior auditor reviews the factory's plan and schedules an announced follow-up visit or an unannounced audit to the factory.

If a factory is found to be in serious violation of an LCI standard, its orders may be reduced or cancelled and it will not be able to receive future orders. FLA confirmed that LCI required one of its vendors to participate in the FLA Hours of Work Project in China given its repeated violations of keeping double books. Continuation as an LCI vendor was contingent on this participation.

Acted to Prevent Persistent Forms of Noncompliance

The company draws upon data from factory corrective action plans to identify serious violations and design special trainings for its vendors on means to prevent and address serious non-compliances. Trainings have been developed on various topics such as Freedom of Association, Effective Employee Relations, and Hours of Work. LCI partnered with a local NGO to provide sexual harassment training to vendors in China to prevent recurrence after an incident was reported during an audit. The company also engages its corporate officers in discussions about issues regarding compliance through quarterly meetings.

Additional details about Liz Claiborne's projects can be accessed by clicking the "Compliance Program" tab above, or in the FLA's Year Two report on Liz Claiborne Inc.

Consulted with Civil Society (i.e., Labor, Human Rights, Religious or other Local Institutions)

LCI consulted with civil society on a frequent basis, particularly in countries with challenging compliance issues. For example, in Year One of implementation, LCI collaborated with a local NGO in Guatemala to help design a workers' rights awareness booklet accessible to workers. Since then, LCI has maintained routine contact with trade unions in Guatemala. In Sri Lanka, LCI has discussed common noncompliances and labor practices with buyers, local government, trade unions, NGOs, and the ILO.

LCI has also worked on increasing worker participation at factories in China with a Hong Kong-based NGO. FLA confirmed discussions of this project focusing on a Worker Health and Safety Committee project. These discussions started in 2004 with a project launch date in 2005.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All LCI 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.

New Era Cap, Inc.

1. New Era Cap Company Profile

Company Name: **New Era, Inc.**

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

[See FLA Y2 report on New Era](#)

FLA Initial Implementation Period Ends: **Dec 2006**

Annual Consolidated Revenue in FY 2004 (millions): **Range: \$100–500***

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

Company Status: **Privately owned**

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

New Era / 100%

Total Applicable Facilities Worldwide in 2004:

13 applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

12 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

1 applicable facility were independently monitored by FLA

[More about New Era's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

3 full-time based at company headquarters in the U.S.

[Learn more about New Era's Compliance Program](#)

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

[See list of third parties
and work conducted^{iv}](#)

Notes: **New Era is included in [FLA Year Two](#) report as a **Category B Licensee** and joined as a **Category A Participating Company** in 2004.** [See FLA-affiliated universities that license to New Era.](#)^{iv}
[Access FLA database to learn about where licensed goods are produced.](#)

2. New Era's Labor Compliance Program in 2004

The New Era Cap Company's Social Compliance Program is based on the FLA Workplace Code of Conduct. The Vice President for Global Human Resources has overall responsibility for the program, assisted by the Health and Safety Manager and an Executive Administrative Assistant. Management and administrative staff from several departments also participate in its implementation.

In 2004, New Era initiated its first of a three-year implementation as a Participating Company. In the FLA Year II Annual Report, New Era's activities were reported as a Category B Licensee.

3. Developments in New Era's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In 2004, highlights of New Era Cap's labor compliance program included:

- Training for staff and factory management on the FLA Workplace Code of Conduct and Monitoring Principles.
- Internal monitoring of 100% of company-owned and contract facilities; all monitoring visits were unannounced.
- Implementation of a procedure for evaluating social compliance status as a required element of qualification for new suppliers to the company.
- Implementation of a Workplace Violence Policy for the protection of workers and visitors and improvements to the company's progressive discipline system.
- Proactive actions to minimize the adverse impact on workers of the closure of a company-owned facility in Buffalo, New York, including advance notice of closure, preferential hiring at another nearby facility without loss of seniority, language and job search classes for workers, and severance payments.

[Click here](#) to see the Year Two report on New Era (as Category B Licensee).

4. FLA Independent External Monitoring in New Era's [Applicable Facilities](#)

A. An Introduction to FLA Independent External Monitoring

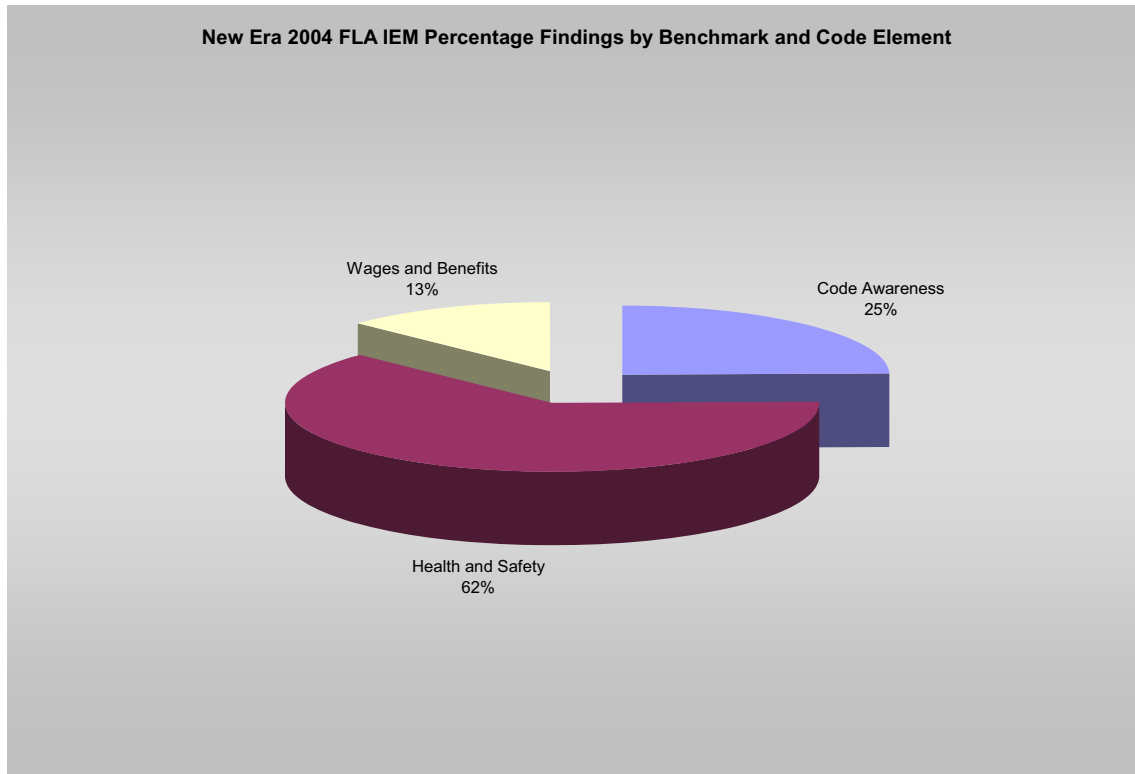
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B. Summary of FLA 2004 Independent External Monitoring in New Era's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in New Era Cap's Applicable Facilities in 2004. It provides background information about the factories, the monitors, and their visits.

New Era Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		14
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- South Korea	1	Global Standards

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in New Era Cap’s facilities, which New Era Cap addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 62% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate posting and evacuation procedures, chemical management, safety equipment and document maintenance and availability.

Noncompliance findings with regard to the FLA’s **Code Awareness** provision were also significant, with a total of 25% of all findings. The most commonly reported and remediated Code Awareness issues were inadequate code awareness among workers and management and the lack of a functioning confidential compliance reporting mechanism. Noncompliance findings with regard to **Wages and Benefits** represented 13% of noncompliances. The top Wages and Benefits issues taken up by New Era through corrective action plans were related to the payment of minimum wages. 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 New Era Cap’s approach to remediation of all of the noncompliance issues mentioned above.

[Click here^{iv}](#) to learn how the FLA collects the data that is illustrated in this chart.

iv **New Era's FLA Applicable Facilities and Monitoring Activities in 2004**

In accordance with the FLA Charter, the chart below lists the countries where New Era'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	New Era Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
China	6	6	0
Hong Kong	1	1	0
South Korea	1	0	1
United States	5	5	0
TOTAL	13	12	1

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Third Parties Contracted by New Era for Monitoring Support in 2004		
Name of Monitoring Groups	Work Conducted	Number of Factories Monitored, If Applicable
Accordia Inc.	Full compliance audits – China and Hong Kong	11

Universities, Colleges and Secondary Schools Licensing New Era

Name of School	Location
University of Alabama	Alabama
Appalachian State University	North Carolina
Arizona State University	Arizona
Ball State University	Indiana
Boise State University	Idaho
Boston College	Massachusetts
University of California at Berkeley	California
University of California at Los Angeles	California
California State University at Northridge	California
University of Colorado at Boulder	Colorado
Colorado State University	Colorado
Columbia University	New York
Creighton University	Nebraska
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
Furman University	South Carolina
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
Illinois State University	Illinois
University of Iowa	Iowa
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
University of Maine at Farmington	Maine
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 North Carolina at Chapel Hill	North Carolina
University of North Carolina at Greensboro	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
Purdue University	Indiana
Rutgers University	New Jersey
St. John's University	New York
St. Joseph's University	Pennsylvania
St. Peter's College	New Jersey
San Diego State University	California
San Jose State University	California
Santa Clara 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
Valdosta State University	Georgia
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
University of Wisconsin at Milwaukee	Wisconsin
Wright State University	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio

^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Nike, Inc.

1. Nike, Inc. Company Profile

In May 2005, Nike received the designation of FLA-Accredited Compliance Program. Please click on the "FLA Accredited Program" tab to read the accreditation report. [Click here](#) for a description of FLA Accreditation.

Company Name: **Nike, Inc.**

Year of FLA Implementation: **3rd year**

[See FLA Y2 report on Nike](#)

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

[See FLA Accreditation Report](#)

Annual Consolidated Revenue in FY 2003 (millions): **\$10,866**

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

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

Nike / 89%

Total Applicable Facilities Worldwide in FLA 2004:

852 applicable facilities

[See details](#)^{iv}

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

608 applicable facilities

[See details](#)ⁱ

Total FLA Independent External Monitoring Visits in FLA 2004:

25 applicable facilities were independently monitored by FLA

[More about Nike's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

90 full-time and 2 part-time staff worldwide – based in various regions, with headquarters in the U.S.

[Learn more about Nike's Compliance Program](#)

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

[See list of third parties and work conducted](#)^{iv}

Notes:

- Nike is included in [FLA Year One and Two](#) report.
- Nike was involved in remediation of a third party complaint submitted to the FLA in January 2005 regarding a facility in Thailand. [See FLA Third Party Complaint Report](#)

- **Nike is an FLA University Licensee.**

[See FLA-affiliated universities that license to Nike.](#)^{iv}
[Access FLA database to learn about where licensed goods are produced.](#)

2. Nike's Labor Compliance Program in 2004

Nike's compliance program is responsible for implementing the company's Code of Conduct, which corresponds with the FLA Workplace Code of Conduct. In 2002, Nike issued a Code of Leadership Standards (CLS) designed to amplify the meaning of the briefer Code language, to clarify gray areas between the Code and local laws/regulations or cultural or business practices, and to help describe labor and environmental, safety, and health management systems that can be implemented at the factories in order to improve sustainability in compliance.

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. In 2004, Nike's labor compliance program had 90 full-time employees (14 at headquarters and the rest in the field) and two part-time employees at headquarters.

Nike compliance staff conducts most management audits, which are comprehensive internal monitoring visits. In the third year of FLA initial implementation, Nike contracted third party monitoring groups, such as ITS, BV, CSCC, Fairland China, T-Group, IA Capital, and Kenan Institute, to conduct pre-sourcing audits, follow-up audits, management audits, and environmental, safety and health assessments where no auditing staff was available.

3. Developments in Nike's Labor Compliance Program in Year 2004^{iv}

A. Compliance Systems Developed in 2004

1. Compliance Rating System

In 2004, Nike developed a factory Compliance Rating system which reflects the factory's performance based on environmental, safety and health and management audits, FLA audits, and the speed and effectiveness of remediating outstanding issues on the factory's Master Action Plan. Factories are rated on an A-B-C-D scale to help drive compliance into the heart of the business. Toward the end of 2004, the Compliance team began to issue a monthly performance report to sourcing managers, which lists all active and inactive factories, a Compliance Rating, the reasons for the rating assignment, and the most recent dialog with the designated sourcing manager. This is a vital communication tool to connect individual sourcing decision makers at Nike, their

sourcing senior management, and the compliance staff, so that all are aware of compliance performance and the quality of remediation.

2. Environmental Safety and Health Audits

Monitoring of workplace safety, health, and environmental impacts of contracted factories has been a developing body of work at Nike over a number of years. Workplace safety, health and environmental assessments began in 1997, resulting in the creation of the Nike Environmental, Safety and Health Code Leadership Standards (ESH CLS). In 2003, Nike contracted outside experts to conduct 10 ESH audits of a sampling of our source base to get a landscape of potential factory challenges in this management field and developed and piloted an ESH Audit instrument which is designed to assess how factories are managing their ESH risks. Nike's field compliance staff, with assistance and training from ESH Compliance specialists based in Asia and at headquarters, conducted 28 such audits during calendar year 2004. This program is still a work in progress. As more audits are conducted in future months, the audit instrument will further be refined and staff capability to perform high quality, consistent audits should improve.

3. Collaboration with Stakeholders

In 2004, Nike collaborated with NGOs, civil society, other multinational brands, and government entities to enhance labor compliance. They included:

- **China ESH multi-stakeholder project:** Nike's China team continued to work with a number of NGOs based in Hong Kong, China, and the United States, along with two other FLA member companies -- adidas and Reebok -- to build and strengthen factory ESH committees at three factories in Southern China, as a step toward better worker/management dialogue and action. The Nike contract factory participating in this program is Pegasus, a major sandals manufacturer.
- **ISOS:** Nike partnered with International SOS and with two other major footwear brands to improve occupational health practices in contracted footwear facilities in China, building on a program initiated by Nike with ISOS in Indonesia and also expanded to Vietnam.
- **Solidarity Center:** Nike's compliance team engaged on a number of critical factory issues with the AFL-CIO's Solidarity Center offices in Bangkok, Sri Lanka, Bangladesh, Turkey, and Mexico, as well as its headquarters in Washington. The two parties exchanged information and worked jointly in many cases to address impasses between workers, workers groups and factory management. Nike also engaged the Solidarity Center specifically on the issues surrounding the end of the Multi-Fiber Arrangement and its impact on jobs in developing countries.
- **Multi-Stakeholder Meeting:** Nike convened a formal stakeholder meeting in February, 2004 at its headquarters inviting more than 40 leaders from community,

sustainability, business, manufacturing, labor, and diversity communities to join Nike senior management for two days to identify and discuss issues that Nike should be addressing as a corporate citizen. Nike identified three issues for the stakeholders to discuss in detail: the conclusion of MFA, environmental challenges in Chinese manufacturing, and women's issues in developing countries.

- **Migrant Worker Grievance Program in South China.** Nike continued in the reporting period to support a worker hot line in the Guangdong Province of China, aimed at providing counseling and support for migrant workers whose rights may have been violated. The program includes other FLA brands (Reebok and adidas), and includes a hot line managed by the Institute for Contemporary Observation, which reviews issues and offers support up to and including legal support.
- **Qingdao Grievance Program.** Working with a local NGO, Nike supported the free and confidential election of workers to a grievance committee at a footwear factory with more than 7,000 employees, and embarked on parallel process at a second of the four contract factories in and around Qingdao, China. Though not a trade union, the Grievance committee is a worker-elected body that has the right to represent worker issues with management. The Committee meets monthly, and the results are made publicly available to the workforce.
- **Indonesia Sexual Harassment Program.** Nike engaged the services of a local women's rights organization, Mitra Pembuan, to set up and manage a pilot program on raising awareness of, and dealing with, issues of sexual harassment in the workplace. The 18-month project concluded in 2004, and involved setting up internal grievance and investigation bodies in two major footwear manufacturing facilities, training all workers and managers on harassment, and making available a hot line and counseling for any worker who did not have issues corrected by the internal factory process.
- **Engagement with FLA related projects:** Nike is participating in the MSI project in Turkey, Sustainable Compliance and Hours of Work in China, and the Central America Project.

[Click here](#) to see the Year Two report on Nike.

B. Selected Elements in Implementing the FLA Requirements

- In 2004, Nike compliance staff conducted 124 pre-sourcing evaluations of prospective factories. Only 80 factories were approved to be added as suppliers, with the rest remaining in the pre-sourcing remediation process of rejected altogether.
- Nike staff conducted 737 workplace safety, health and environmental impact assessments in 2004 on 512 of the company’s applicable facilities. It also conducted 245 management audits, and 28 environmental, safety and health audits.

[Click here](#) to review Nike’s activities in Year Two.

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. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company’s progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Nike’s approach to remediation of noncompliance issues.

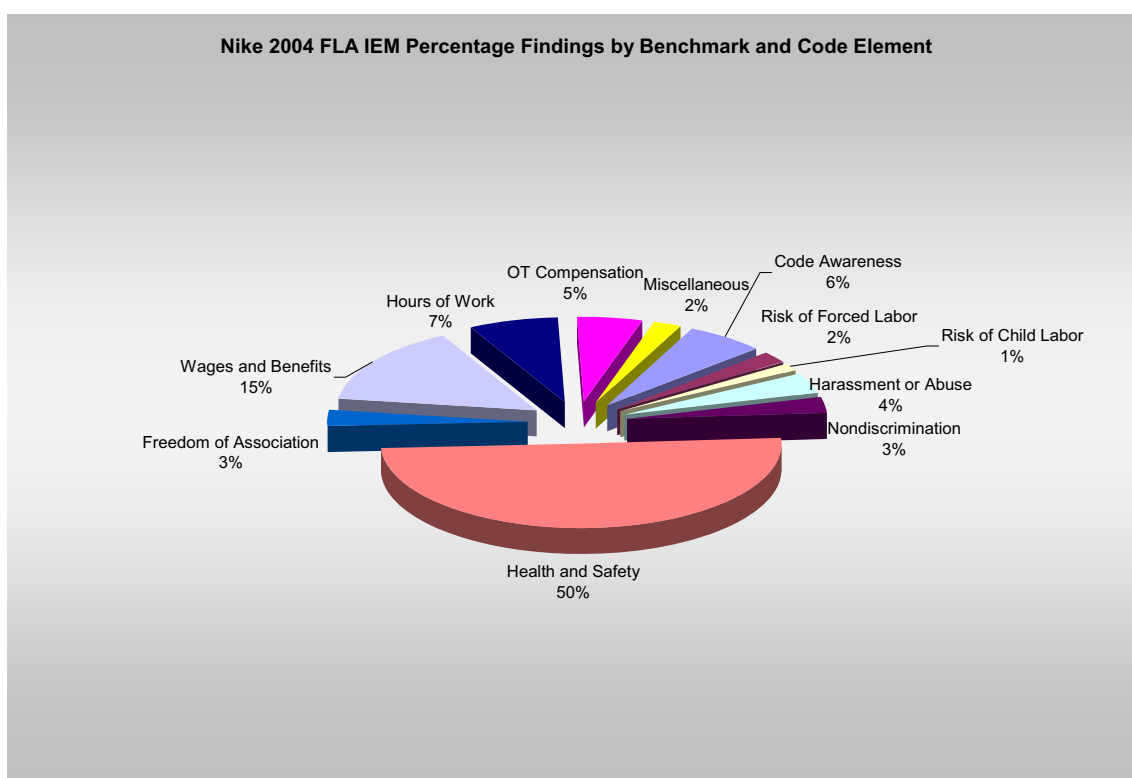
B. Summary of FLA 2004 Independent External Monitoring in Nike’s Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Nike [applicable facilities](#) in 2004. It provides background information about the factories, the monitors, and their visits.

Nike Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		25
Remediation shared with other FLA Companies:		12
Remediation undertaken independently:		13
Average number of workers per independently monitored facility:		1,476
Regions	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Korea	7	Bureau Veritas (1), Global Standards (2), Société Générale de Surveillance (4)

Southeast Asia -- Indonesia, Thailand	5	Bureau Veritas (1), Global Standards (3), Kenan Asia Institute (1)
South Asia -- India, Sri Lanka	5	Bureau Veritas (1), T-Group (4)
Europe, Middle East, Africa (EMEA) -- Turkey	1	Société Générale de Surveillance (1)
Americas -- Brazil, El Salvador, Honduras, Mexico, USA	7	A & L Group, Inc (4), Cotecna (2), GMIES (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Nike's facilities, which Nike addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 50% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, ventilation, electrical and facility maintenance, personal protective equipment, fire safety and health and safety legal compliance and safety equipment.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 27% of all findings related to **Wages and Benefits** (15%), **Hours of Work** (7%),

and **Overtime Compensation** (5%). The top Wages and Hours of Work issues taken up by Nike through corrective actions plans were related to overtime limitations, overtime compensation, the factory's provision of legal benefits to workers, the factory's time keeping systems, and worker awareness of their wages and benefits. Noncompliance with **Code Awareness** represented 6% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were management and worker code awareness and a functioning confidential compliance reporting mechanism.

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 Nike. 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 this Code provision. 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 Nike's approach to remediation of all of the noncompliance issues mentioned above.

[Click here](#)^{iv} to learn how the FLA collects the data that is illustrated in this chart.

^{iv} **Nike's FLA Applicable Facilities and Monitoring Activities in 2004**

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 <u>Applicable Facilities</u>	Nike <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
Albania	1	1	0
Argentina	10	6	0
Australia	13	3	0
Bangladesh	7	5	0
Belarus	2	0	0
Brazil	22	13	1
Bulgaria	10	5	0
Cambodia	4	4	0
Canada	14	10	0
Chile	2	1	0
China	124	112	6
Colombia	2	1	0
Dominican Republic	6	3	0
Ecuador	1	1	0
Egypt	4	4	0
El Salvador	8	7	1
Fiji	3	1	0
Greece	3	2	0
Guatemala	4	1	0
Honduras	10	9	2
Hong Kong	9	8	0
India	21	9	2
Indonesia	45	35	1
Israel	6	5	0
Italy	16	5	0
Japan	26	12	0
Jordan	3	2	0
Korea	49	32	1
Lithuania	1	1	0
Macau	3	3	0
Macedonia	1	1	0
Malaysia	46	29	0
Mexico	44	21	2
Moldova	1	0	0
Morocco	6	6	0
New Zealand	1	0	0
Pakistan	4	3	0
Peru	2	1	0
Philippines	5	4	0
Portugal	23	21	0
Romania	1	1	0
Singapore	2	2	0

South Africa	8	6	0
Spain	6	2	0
Sri Lanka	33	15	3
Switzerland	1	0	0
Taiwan	26	22	0
Thailand	71	62	4
Tunisia	10	9	0
Turkey	34	28	1
United Kingdom	3	3	0
United States	62	41	1
Vietnam	32	30	0
TOTAL	852	608	25

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Third Parties Contracted by Nike for Monitoring Support in 2004		
Name of Monitoring Groups	Work Conducted	Number of Factories Monitored, If Applicable
Intertek, Bureau Veritas, Cal Safety Compliance Corp., Fairland China, T-Group, IA Capital, Kenan Institute	Pre-sourcing Audits, follow-up audits, SHAPE and M Audits where no internal auditing staff exists	139

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Universities, Colleges and Secondary Schools Licensing Nike

Name of School	Location
University of Alabama	Alabama
Appalachian State University	North Carolina
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 California at Davis	California
University of California at Irvine	California
University of California at Los Angeles	California
University of California at Merced	California
University of California at Riverside	California
University of California at San Diego	California
University of California at San Francisco	California
University of California at Santa Barbara	California
University of California at Santa Cruz	California
California State University at Long Beach	California
California State University at Northridge	California
California State University at Sacramento	California
University of Colorado at Boulder	Colorado
University of Colorado at Denver	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
Harvard University	Massachusetts
University of Illinois at Chicago	Illinois
University of Illinois at Urbana-Champaign	Illinois
University of Iowa	Iowa
James Madison University	Virginia
University of Kansas	Kansas
Kansas State University	Kansas
University of Kentucky	Kentucky
University of Louisville	Kentucky
University of Maine at Farmington	Maine
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
University of North Carolina at Greensboro	North Carolina
North Carolina State University	North Carolina
Northeastern Illinois University	Illinois
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
St. Joseph's University	Pennsylvania
San Diego State University	California
Santa Clara 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 Wisconsin at Oshkosh	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut

5. Nike's Compliance Program: An FLA-Accredited Compliance Program

FLA Accreditation of Nike's Labor Compliance Program 2005

In May 2005, the FLA Board of Directors voted to accredit Nike's compliance program. The decision was based on an assessment that included audits both at headquarters and at the field level, and visits to a number of supplier facilities. In conducting the assessment, FLA staff interviewed Nike personnel, inspected files, observed the annual compliance staff training, reviewed factory records, observed Nike field staff in factories, and analyzed findings from a total of 128 independent external monitoring visits conducted at Nike facilities over the course of the previous three years.

This accreditation assessment focused exclusively on Nike's compliance program during the initial implementation period, which lasted from July 2001 until December 2004. The compliance program implements FLA Standards in the factories that produce for Nike around the world (1,181 in Year One, 1,074 in Year Two, and 852 in Year Three – [click here](#) to see where they are located).

By accrediting Nike, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that Nike submitted upon entering the FLA. Accreditation does not 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.

[Click here](#)^v for more information about FLA accreditation.

FLA Assessment of Nike's Compliance Program – In Brief

The FLA determined that Nike compliance staff is highly active in most factories producing for Nike. Its 76 staff compliance officers conduct the vast majority of monitoring and remediation audits, with help from external monitors when necessary. Regular presence in the majority of factories affords the compliance staff opportunities to coach factory management to make long-term improvements in compliance. Especially notable during the implementation period were Nike's efforts to develop capacity for effective grievance procedures on freedom of association and sexual harassment in the factories. In partnership with a local women's rights NGO in Indonesia, Nike piloted an 18-month project to raise awareness and remediate sexual harassment issues in the workplace. The project set up internal grievance and investigation bodies in two footwear facilities, trained all workers and managers on harassment policies, and provided a hotline and counseling services for workers.

Overall, the company is an active participant in the FLA, and has encouraged apparel 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 Nike fulfilled particular FLA requirements for accreditation.

[*Click here to return to the full FLA 2005 Report on Nike.*](#)

**Nike's Fulfillment of
FLA Requirements for Program Accreditation**
July 2001 through December 2004

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

Nike's code of conduct was adopted in 1992; since then, it has been incorporated into a Contractor Compliance Manual and disseminated to workers through publication in regional newsletters. Nike provides all contract factories with the Nike Code Leadership Standards (CLS) on management systems, environment, and safety and health; the CLS provide more detailed information on Nike's code elements and guidance on important compliance issues. The code is also posted in all facilities, and has been translated into the languages spoken by workers and managers in each factory.

Nike has taken a variety of approaches to ensure worker awareness. It provides wallet-sized laminated cards of the code in local languages, requires factories to train their workers on the code elements, and Nike's own compliance staff provides training on Nike standards. During observations of Nike audits, the FLA confirmed that auditors provide code awareness training to workers either during orientation or on an ongoing basis as part of their regular audit protocol.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

In an effort to ensure proper use of its auditing and remediation tools, Nike has developed basic training programs for its compliance staff and third-party monitors, known as "boot camp." New hires also receive basic training in compliance. FLA interviews with compliance staff members confirmed these trainings.

Nike conducts regional and global meetings to improve the skills of its internal compliance team. These meetings and ongoing training programming focus on issues such as labor law, worker interviews, and effective communication.

Provided Employees with Confidential Reporting Channels to Report Noncompliance

In its CLS, Nike requires contract factories to have a confidential grievance procedure to report harassment or abuse and raise other complaints. The "Contract Compliance Manual" includes the grievance procedure, and Nike compliance staff investigates the existence and effectiveness of the procedure during their audits.

Nike undertook several special projects to promote communication channels between workers and local NGOs in China and Indonesia. For example, Nike partnered with a local NGO in Qingdao, China, to provide a hotline number for workers to raise grievances.

Nike encourages suppliers to develop internal channels to address noncompliance issues, and to use Nike as a last resort toward remediating problems. In their interviews with workers, Nike compliance officers provide contact information to workers only when specifically requested or when sensitive issues are discussed. As part of the interview process, Nike monitors consistently emphasize to factory managers that interviewees must not suffer retaliation as a result of their participation in the monitoring process.

Conducted Internal Monitoring of Applicable Facilities

Nike uses a risk-based model to prioritize factory audits and has developed a three-prong audit system to investigate code compliance at its facilities.

- The M-Audit investigates the labor/management systems in a factory. It examines all code elements except for environment, safety and health, which are included in a separate audit.
- The Environment, Safety, and Health (ESH) Audit, conducted by Nike monitors.
- The Safety, Health, Attitude, People and Environment (SHAPE) Audit is conducted by factory staff or management. It provides information on a variety of issues that Nike evaluates to determine if further investigation is warranted.

Nike also utilizes a Master Action Plan (MAP) to document and review noncompliances and develop a remediation plan in cooperation with the factory management. The MAP allows Nike's compliance staff to track the completion, progress (or lack of progress) of various remediation issues. FLA observed this system in use in three regions.

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

Nike provided factory lists, factory profiles, and related information to the FLA as required during years one through three of initial FLA implementation. Nike ensured that no FLA monitors were denied access to factories, records, or 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.

Collected and Managed Compliance Information Effectively

Nike uses a database to collect and organize factory compliance information. The database can be accessed worldwide by relevant Nike employees, who use it to record audit reports, factory profiles, and remediation plans. The database at Nike's headquarters has capabilities to generate reports on compliance trends. An analysis of compliance findings has shown for 2004 that out of 245 M-audits conducted, 58% found noncompliances in excessive hours according to Nike standards, 33% in wage calculation, and 31% in treatment of workers. Samples of Nike analysis are made available through the public report submitted to the FLA.

Remediated Noncompliance Issues in a Timely Manner

Following an audit, Nike contacts the contract factory and uses the MAP to develop a remediation plan and implement it in a reasonable timeframe (usually 60 days). These plans aim to be both corrective and preventive. In the IEM remediation plans submitted by Nike, the plans address the specific violation but often do not outline how actions will be taken to prevent its recurrence. However, Nike compliance staff will offer training and work with factory management to prevent the recurrence of non-compliances. FLA reviewed training schedules and material for some of Nike's vendor trainings, including supervisor training and training on labor laws.

Nike has developed a rating and scorecard system that they use to convey how well a factory is doing with regard to compliance and to make recommendations on future orders.

Acted to Prevent Persistent Forms of Noncompliance

The company reviews compliance information from a variety of perspectives, including factory ratings and results of monitoring visits, to identify persistent and/or serious forms of noncompliance. This information is reported to the FLA.

Nike has addressed major forms of noncompliance through training programs, participation in FLA projects such as the Central America Project, and information sharing with factories. Nike has provided significant training through the Global Alliance on issues ranging from sexual harassment in the workplace to supervisory skills and labor law.

Additional details about Nike's projects can be accessed by clicking the "Compliance Program" tab above, or in the FLA's Y2 report on Nike.

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

Nike has consulted frequently with civil society organizations in countries with challenging compliance issues. In the area of health and safety, Nike has partnered with an international health NGO to improve occupational health practices in contracted footwear facilities in Indonesia, China, and Vietnam. Nike has collaborated with two other FLA Participating Companies in working with experts and local NGOs to promote the formation and development of a health and safety worker committee in a Nike footwear facility in southern China.

Nike's M-audit tool requires that Nike auditors review a collective bargaining agreement if one exists at a facility.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All Nike 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.

Nordstrom, Inc.

1. Nordstrom's Profile

Company Name: **Nordstrom, Inc.**

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

[See FLA Y2 report on Nordstrom](#)

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

Annual Consolidated Revenue in FY 2004 (millions): **\$6,500**

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

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

Nordstrom Private Labeled Apparel / 15%

Total Applicable Facilities Worldwide in FLA 2004:

422 applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

362 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

12 applicable facilities independently monitored by FLA

[More about Nordstrom's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

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

[Learn more about Nordstrom's Compliance Program](#)

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

[See list of third parties and work conducted^{iv}](#)

2. Nordstrom's Labor Compliance Program in 2004

In 2004, Nordstrom completed the second year of its three-year initial implementation period of the FLA program. The Nordstrom Social Compliance Program (NSCP), the organization responsible for the company's labor compliance program, is housed within the Nordstrom Product Group division. The NSCP interacts with entities responsible for designing, contracting to manufacture, and importing private level product for Nordstrom retail distribution, such as Sourcing, Production, Quality Assurance, Logistics, Customs Compliance, and International Payments. Nordstrom only issues purchase orders to factories that have agreed to the "Nordstrom Partnership Guidelines," which include a Code of Conduct identical to the FLA Workplace Code of Conduct, have remediated all outstanding issues identified in a corrective action plan, and have put in place systems to minimize the opportunity that occurrences of code of conduct violations will occur in the future.

In 2004, Nordstrom's Social Compliance program was reorganized to designate specific individuals' focus on specific regions of the world and four new staff members were hired. Five Regional Specialists were designated, with responsibilities for regions of the world where Nordstrom contracts to manufacture. The five regions and the production lines involved in each are: (1) North and South America, Spain and Portugal—apparel, footwear, home, accessories; (2) Europe/Eastern Europe—apparel, footwear, home, accessories; (3) Africa, Middle East, Sub-Continent Asia, South East Asia—apparel, footwear, home, accessories; (4) China, Hong Kong, Macau—apparel only; and (5) China, Hong Kong, Macau—footwear, home accessories. The reorganization has allowed Regional Specialists to develop relationships with agents, suppliers, factories, peer companies, and organizations in order to better understand and serve the needs of each region.

3. Developments in Nordstrom's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In 2004, Nordstrom began full use of the social compliance database created in 2003. The database houses all factory information including: (1) audit reports (basic audit report, intermediate reports, comprehensive reports, re-audits); (2) FLA audit reports; (3) corrective action plans; (4) manufacturer questionnaires; (5) miscellaneous information regarding a factory; (6) factory manager/contact name and information; (7) manufacturer information; (8) subcontractors; (9) factory product types; (10) product capabilities; and (11) factory status. Remediation activities are tracked through the Outstanding Corrective Action Plan Report and ad hoc reports. These reports, which list each factory with outstanding issues, violation category, violation type, and the evaluation of each violation, are reviewed weekly by the regional staff.

[Click here](#) to see the Year Two report on Nordstrom.

B. Selected Elements in Implementing the FLA Requirements

In 2004, Nordstrom completed the second year of its initial implementation of the FLA program. Nordstrom's labor compliance program focused, among others, on training of agents with regard to Nordstrom program expectations and of internal compliance staff, and initiatives to strengthen outreach to NGOs.

Nordstrom conducted 19 agent trainings in 18 countries (Korea, Germany, France, Romania, Lithuania, Taiwan (2), Hong Kong, China, Thailand, Vietnam, Singapore, Philippines, Italy, Spain, France, Hungary, India, and Sri Lanka). This training provided the agents with an understanding of their responsibilities in the implementation of Nordstrom's Social Compliance Program, including the Code of Conduct, approval and remediation processes, and evaluation and reporting procedures. Internal compliance staff received basic and intermediate audit training, and the Regional Specialists also received the Social Accountability International Auditor Training (SA8000).

Through Business for Social Responsibility (Nordstrom has been a member since 2000), Nordstrom participated in issue-specific discussions with NGOs. Nordstrom also held discovery meetings beginning in July 2004 with NGOs and corporate social responsibility consultants in China to develop programs and activities, to be held in 2005, to address common regional and industry specific noncompliance issues such as health and safety, hours of work and overtime, and wages and benefits.

[Click here](#) to review Nordstrom's activities in Year Two.

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

A. An Introduction to FLA Independent External Monitoring

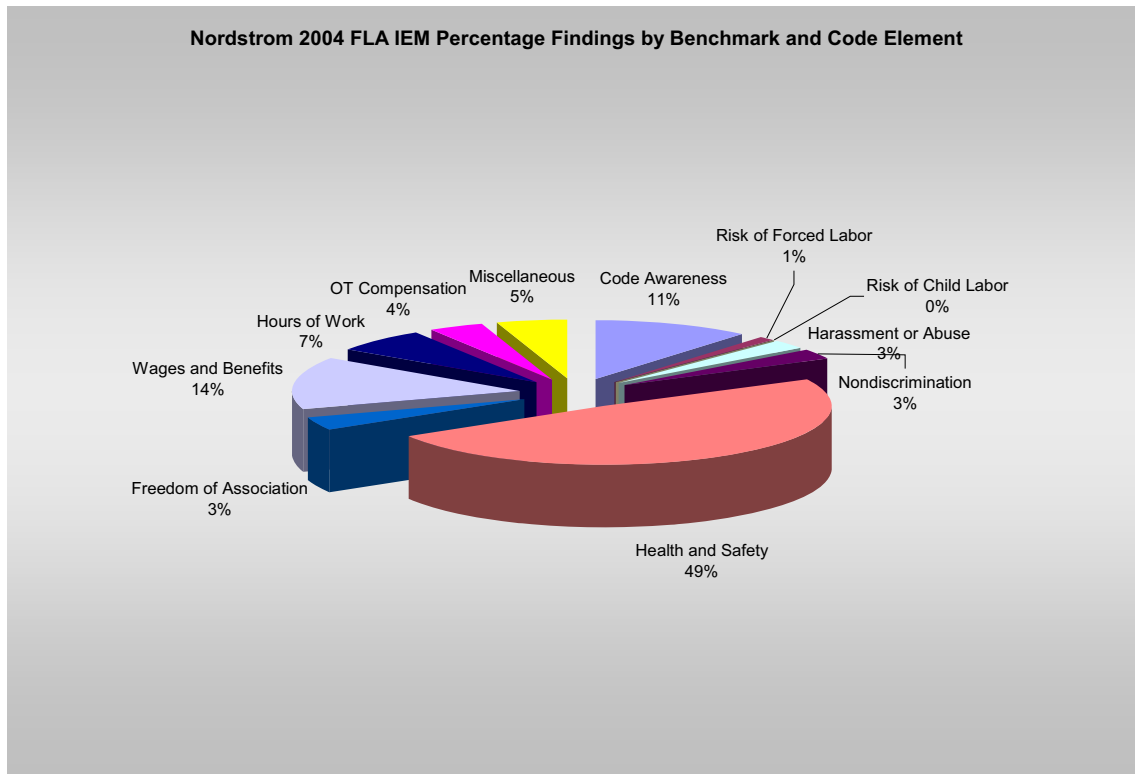
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://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 2004 Independent External Monitoring in Nordstrom's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Nordstrom applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

Nordstrom Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		12
Remediation shared with other FLA Companies:		8
Remediation undertaken independently:		4
Average number of workers per independently monitored facility:		1,173
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Korea	6	Kenan Institute Asia (1), Société Générale de Surveillance (3), Global Standards (2)
Southeast Asia -- Thailand	1	Global Standards (1)
South Asia -- Sri Lanka	2	T-Group Solutions (2)
Europe, Africa, Middle East (EAME) -- Turkey	1	Société Générale de Surveillance (1)
Americas -- USA, Peru	2	Cotecna (2)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Nordstrom's facilities, which Nordstrom addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 49% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, ventilation, electrical and facility maintenance, sanitation in the dormitories and safety equipment.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 25% of all findings related to **Wages and Benefits** (14%), **Hours of Work** (7%), and **Overtime Compensation** (4%). The top Wages and Hours of Work issues taken up by Nordstrom through corrective action plans related to overtime limitations, the factory's provision of legal benefits to workers, minimum wage compliance, and overtime compensation. Noncompliance with **Code Awareness** represented 11% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were lack of worker and management code awareness, lack of a functioning confidential compliance reporting mechanism, and inadequate code of conduct posting.

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 Nordstrom. Likewise there were no findings of underage workers in these facilities. The Forced Labor (1%) 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 these and other FLA Code provisions, and visit the [FLA factory tracking charts](#) to learn more about Nordstrom's approach to remediation of all of the noncompliance issues mentioned above.

[Click here^{iv}](#) to learn how the FLA collects the data that is illustrated in this chart.

^{iv} **Nordstrom's FLA Applicable Facilities and Monitoring Activities in [2004](#)**

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)
Bolivia	1	2	0
Brazil	1	1	0
Canada	12	9	0
China	124	107	5
Colombia	1	0	0
Costa Rica	1	1	0
Denmark	1	1	0
Dominican Republic	5	6	0
France	1	0	0
Greece	1	1	0
Hong Kong	67	64	1
Hungary	3	3	0
India	16	16	0
Israel	4	5	0
Italy	23	23	0
Japan	2	1	0
Jordan	1	2	0
Korea	15	5	1
Lithuania	2	1	0
Macau	15	16	0
Madagascar	1	1	0
Malaysia	6	5	0
Mauritius	3	3	0
Mexico	5	10	0
Morocco	1	1	0
Nepal	1	0	0
Peru	5	5	1
Philippines	6	3	0
Poland	3	4	0
Portugal	15	10	0
Romania	9	4	0
Saipan	1	0	0
Scotland	1	0	0
Singapore	1	1	0
South Africa	3	2	0
Sri Lanka	9	8	2
Taiwan	5	1	0
Tunisia	3	2	0
Thailand	8	3	1

Turkey	13	11	1
United Kingdom	1	2	0
Uruguay	1	0	0
USA	25	22	0
TOTAL	422	362	12

iv

Third Parties Contracted by Nordstrom for Compliance Support in 2004		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
Cal Safety Compliance Corp.	Full Internal Audits	1
Bureau Veritas	Full Internal Audits	2

**This table does not take into account all site visits conducted by Nordstrom's agents. Agents who source for Nordstrom, but are not Nordstrom employees, are required to conduct a pre-assessment for every new factory and follow up site inspections to ensure action plans are being implemented in a timely manner.*

^{iv} **Understanding the data reported in this section**

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Outdoor Cap, Inc.

1. Outdoor Cap Company Profile

Company Name: **Outdoor Cap Company, Inc.**

Year of FLA Implementation: **First year***

[See FLA Y2 report on Outdoor Cap](#)

FLA Initial Implementation Period Ends: **Dec 2006**

Annual Consolidated Revenue in FY 2004 (millions): **Range: Above \$50***

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

Company Status: **Outdoor Cap Company, Inc. is privately owned**

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

Outdoor Cap / 5%
Signature / 68%
Starter / 27%

Total Applicable Facilities Worldwide in FLA 2004:

11 applicable facilities

[See details](#)^{iv}

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

8 applicable facilities

[See details](#)ⁱ

Total FLA Independent External Monitoring Visits in FLA 2004:

1 applicable facility independently monitored by FLA

[More about Outdoor Cap's IEM visits in 2004](#)

[See individual factory tracking chart](#)

Compliance Staff Worldwide:

1 full-time and one part-time staff members oversee the social compliance program from the company headquarters.

[Learn more about Outdoor Cap's Compliance Program](#)

Third parties contracted by compliance team? **No**

Notes:

▪ **Outdoor Cap is included in [FLA Year Two](#) report as a Category B Licensee and became a Category A Participating Company in 2004.**

[Click here to view list of universities](#)^{iv}

2. Outdoor Cap's Labor Compliance Program in 2004

In 2004, Outdoor Cap completed the first year of its three-year initial implementation period of the FLA program as a Participating Company. Outdoor Cap adopted the FLA Code of Conduct as the basis for implementing its compliance program. The key person responsible for carrying out the company's labor compliance program at headquarters is the Executive Vice President for Operations. Outdoor Cap has one full time person devoted to labor compliance at headquarters and one part-time internal monitor. Outdoor Cap's report in the Year Two Annual Public Report reflected activities as a Category B Licensee.

3. Developments in Outdoor Cap's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In the first year of its initial implementation of the FLA program, Outdoor Cap's compliance program focused on establishing links between the social compliance program and other departments within the company and on staff training. Currently, the social compliance manager works closely with the marketing department to ensure that factories are approved prior to purchasing. Outdoor Cap contracted with Intertek to conduct training for social compliance staff. The company plans to conduct annual updating of social compliance training for the staff.

[Click here](#) to see the Year Two report on Outdoor Cap (as Category B Licensee).

B. Selected Elements in Implementing the FLA Requirements

In 2004, Outdoor Cap conducted nine internal audits in Bangladesh, China, and Hong Kong. All of the audits were conducted by internal personnel and were announced. Thus, over a two-year period, Outdoor Cap monitored all of its supplier factories abroad. The most frequent noncompliance issues identified in the 2004 audits were related to safety and health, harassment and abuse, wages and benefits, and hours of work. Outdoor Cap worked with suppliers to remediate all compliance issues raised by the monitors.

Heretofore, Outdoor Cap has manually tracked compliance findings through spreadsheets and other documents. The company is working on developing a database in Access that will allow it to track and analyze noncompliance issues found by internal monitoring and to verify remediation actions.

[Click here](#) to review Outdoor Cap's activities in Year Two.

4. FLA Independent External Monitoring in Outdoor Cap Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

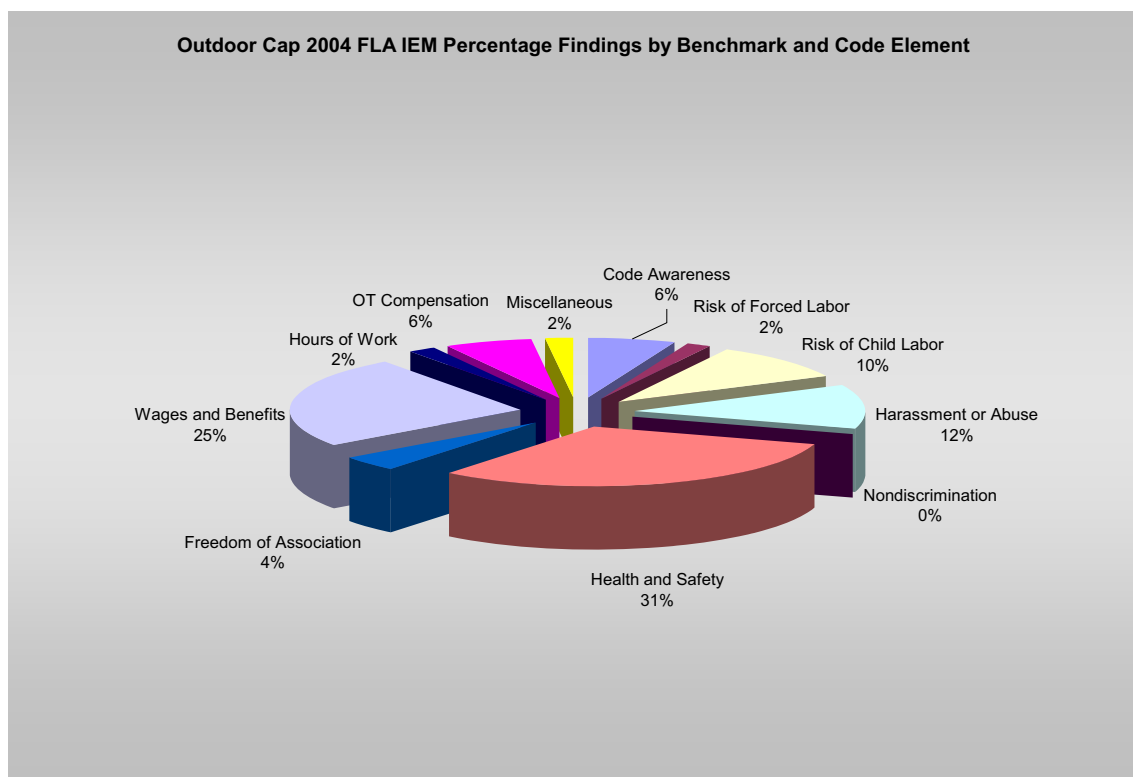
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Outdoor Cap's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in Outdoor Cap's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Outdoor Cap applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

Outdoor Cap Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		1,354
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
South Asia -- Bangladesh	1	LIFT Standards (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Outdoor Cap's facilities, which Outdoor Cap addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 31% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to safety equipment, machinery maintenance, sanitation issues, ventilation, electrical and facility maintenance, and personal protective equipment.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 33% of all findings related to **Wages and Benefits** (25%), **Hours of Work** (2%), and **Overtime Compensation** (6%). The top Wages and Hours of Work issues taken up by Outdoor Cap through corrective actions plans were related to payment of minimum wages, forced overtime, and worker awareness of their wages and benefits among others.

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 Outdoor Cap. Likewise there were no findings of underage workers in these facilities. The Forced Labor (2%) and Child Labor (10%) 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 Outdoor Cap's approach to remediation of all of the noncompliance issues mentioned above.

[Click here](#)^{iv} to learn how the FLA collects the data that is illustrated in this chart.

iv Outdoor Cap's FLA Applicable Facilities and Monitoring Activities in 2004

In accordance with the FLA Charter, the chart below lists the countries where Outdoor Cap'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	Outdoor Cap Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Bangladesh	4	4	1
Sri Lanka	2	0	0
China	4	4	0
United States	1	0	0
TOTAL	11	8	1

Universities, Colleges and Secondary Schools Licensing Outdoor Cap

Name of School	Location
University of Alabama	Alabama
Arizona State University	Arizona
Ball State University	Indiana
Boise State University	Idaho
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
University of Dayton	Ohio
Duke University	North Carolina
Ferris State University	Michigan
University of Florida	Florida
Florida State University	Florida
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
University of Illinois at Urbana-Champaign	Illinois
University of Iowa	Iowa
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 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 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
Pennsylvania State University	Pennsylvania
University of Pittsburgh	Pennsylvania
Purdue University	Indiana
San Diego State University	California
University of South Florida	Florida
University of Southern California	California
Syracuse University	New York

University of Texas at Austin	Texas
University of Utah	Utah
University of Virginia	Virginia
Virginia Tech	Virginia
University of Washington at Seattle	Washington
West Virginia University	West Virginia
University of Wisconsin at Milwaukee	Wisconsin
Wright State University	Wisconsin
University of Wyoming	Wyoming

^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Patagonia

1. Patagonia Company Profile

Company Name: **Patagonia**

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

[See FLA Y2 report on Patagonia](#)

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

Annual Consolidated Revenue in FY 2004 (millions): **\$219**

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 2004:

86 applicable facilities

[See details](#) ^{iv}

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

35 applicable facilities

[See details](#) ⁱ

Total FLA Independent External Monitoring Visits in FLA 2004:

2 applicable facilities independently monitored by FLA

[More about Patagonia's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

One full-time staff oversees the social compliance program from company headquarters.

[Learn more about Patagonia's Compliance Program](#)

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

[See list of third parties and work conducted](#) ^{iv}

2. Patagonia's Labor Compliance Program in 2004

In 2004, Patagonia completed the second year of its three-year initial implementation period of the FLA program. Patagonia's Social Compliance Program is responsible for implementing the company's Code of Conduct, which is based on the FLA Code. Compliance is managed by the Social Compliance Manager, who reports to the Vice President of Production. The Social Compliance Program is imbedded in the sourcing structure of the company and thereby it is fully integrated into the strategic decision making process of the sourcing team.

Patagonia relied on Cal Safety Compliance Corporation (CSCC), Global Standards, and the International Initiative to End Child Labor as third-party providers of monitoring, training, and audit instrument services in support of the labor compliance program. Beginning in December 2004, ALGI conducted all Patagonia audits in the Americas.

3. Developments in Patagonia's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In the second year of its initial implementation period of the FLA program, the focus of Patagonia's labor compliance program continued to be the strengthening of the internal labor compliance system and in particular improvement in the quality and regularity of monitoring visits. Key elements of this effort include:

- Further training of the Social Compliance Manager, production managers, and other internal staff conducted by an international expert and by Global Standards.
- New monitoring partners have been identified and retained around the globe, vastly increasing audit quality
- A unique monitoring protocol has been established for each of three primary sourcing regions: Asia, the Americas, and Europe/North Africa.
- Patagonia is exploring a special project that will aim to study the relationship between product scheduling, human resources management, quality controls (including various incentive programs), and overtime. While this project is being developed to be applied in China, Patagonia may also pilot it elsewhere. The company expects to draw lessons from the project that will be useful in other sourcing locations.

[Click here](#) to see the Year Two report on Patagonia.

B. Selected Elements in Implementing the FLA Requirements

In 2004, Patagonia made several improvements in implementing FLA requirements. For example, Patagonia further established means for confidential reporting by improving the company's Code of Conduct poster to include confidential contact information, by establishing an email account for compliance complaints, and by encouraging manufacturers to establish additional means for confidential reporting within their facilities. The company also centralized gathering of compliance information about its factories in the office of the Social Compliance Manager. In order to develop ties to civil society, Patagonia engaged the International Initiative to End Child Labor in its internal monitoring program, and the Clean Clothes Campaign and the International Labor Rights Fund in an informal capacity outside of the context of monitoring. Furthermore, in the course of monitoring, Patagonia engaged unions in Romania, the Ukraine, the United States, and Portugal.

Trained third party monitors or internal staff conducted audits at more than 40% of Patagonia's factory base in 2004. All audits included confidential employee interviews, management interviews, health and safety inspections, and review of payroll, hour, personnel, and other Human Resources records. In addition to its standard in-factory audit strategy, Patagonia also structured audits based on regional and national data gathered in advance of an audit. For instance, all China audits were directed toward understanding the production scheduling in a factory, with the goal of determining the degree to which overtime regulations may have been exceeded. Audits in the United States were conducted with special attention to subcontracting, record keeping, and wage and hour regulations.

All factories that work for Patagonia must first pass a pre-sourcing audit, identical in nature to current-sourcing audits. Two potential new factories (both in China), approximately 20% of the factories audited on a pre-sourcing basis, were rejected for compliance reasons in 2004. One was rejected based primarily on findings of extremely excessive overtime – some workers had been on the line for 36 hours without substantial break.

[Click here](#) to review Patagonia's activities in Year Two.

4. FLA Independent External Monitoring in Patagonia'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. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at

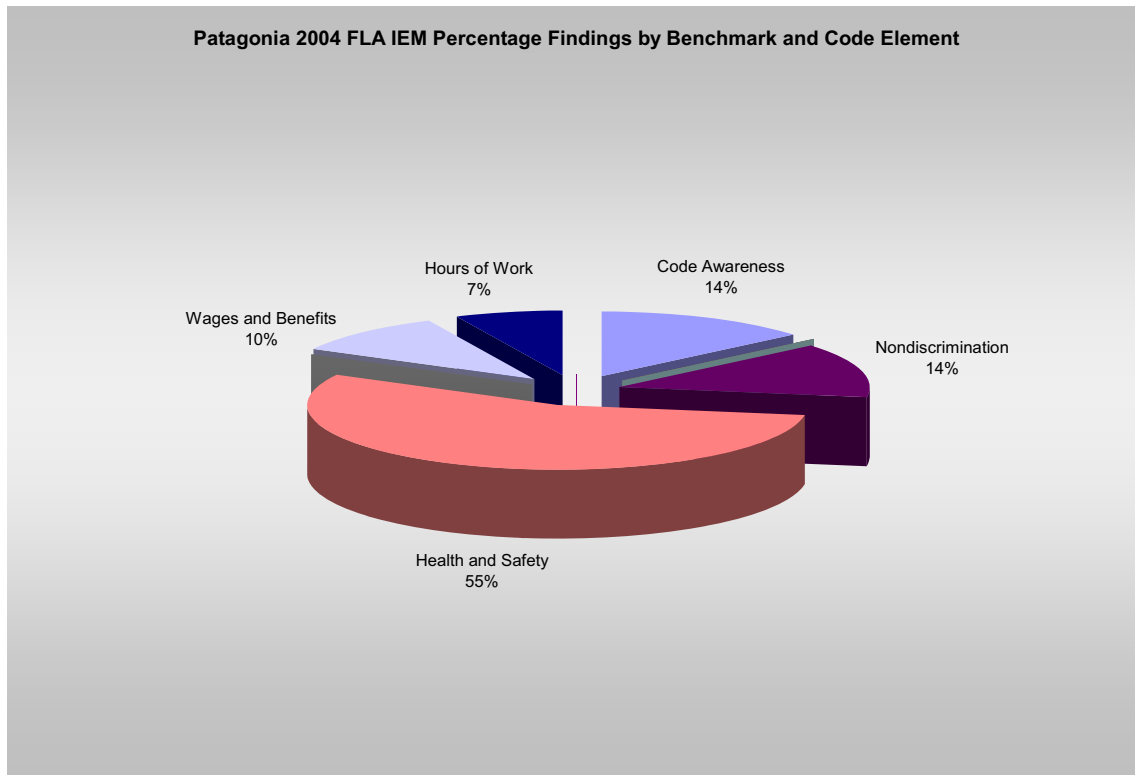
<http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Patagonia's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in Patagonia's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Patagonia applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

Patagonia Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		2
Remediation shared with other FLA Companies:		1
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		795
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Southeast Asia --Thailand	1	Kenan Institute Asia (1)
Americas --Dominican Republic	1	A & L Group, Inc. (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Patagonia's facilities, which Patagonia addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 55% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, fire safety, and health and safety legal compliance, personal protective equipment, and machinery maintenance.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 17% of all findings related to **Wages and Benefits** (10%) and **Hours of Work** (7%). The top Wages and Hours of Work issues taken up by Patagonia through corrective action plans were related to overtime limitations and overtime compensation. Noncompliance related to **Code Awareness** accounted for 14% of findings; the most common instances of noncompliance in this area addressed through remediation were worker and management code awareness and the lack of a functioning confidential compliance reporting mechanism.

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. Noncompliance related to **Nondiscrimination** accounted for 15% of findings. There were no findings of forced or bonded labor in facilities producing for Patagonia. Likewise there were no findings of underage workers in these facilities. 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 Patagonia’s approach to remediation of all of the noncompliance issues mentioned above.

[Click here](#)^{iv} to learn how the FLA collects the data that is illustrated in this chart.

iv Patagonia’s FLA Applicable Facilities and Monitoring Activities in 2004

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	12	10	0
Colombia	2	0	0
Costa Rica	2	0	0
Dominican Republic	2	1	1
France	2	2	0
Greece	1	0	0
Hong Kong	5	1	0
Israel	1	0	0
Korea	2	0	0
Malaysia	1	1	0
Mexico	6	1	0
Morocco	3	1	0
Philippines	1	1	0

Portugal	4	4	0
Romania	2	2	0
Thailand	5	1	1
Tunisia	2	2	0
Turkey	10	1	0
Ukraine	1	1	0
USA	18	4	0
Vietnam	3	2	0
Total	86	35	2

iv

Third Parties Contracted by Patagonia for Compliance Support in 2004		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
Cal Safety Compliance Corporation	Full compliance audits – China, Philippines, United States and Morocco	10
Global Standards	Full compliance audits and Audit Instrument Development training – China, Thailand and Vietnam	12
International Initiative to End Child Labor	Full compliance audits and Audit Instrument Development training – Portugal, Romania and Tunisia	6

^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Phillips-Van Heusen Corp.

1. Phillips-Van Heusen's Company Profile

In May 2005, Phillips-Van Heusen received the designation of FLA-Accredited Compliance Program. Please click on the "FLA Accredited Program" tab to read the accreditation report. [Click here](#) for a description of FLA Accreditation.

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

Year of FLA Implementation: **3rd year**

[See FLA Y2 report on PVH](#)

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

[See FLA Accreditation Report](#)

Annual Consolidated Revenue in FY 2004 (millions): **\$1,404**

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

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

G.H. Bass® / 30%
Izod® / 20%
Phillips-Van Heusen® / 20%

Total Applicable Facilities Worldwide in FLA 2004:

395 applicable facilities

[See details](#)^{iv}

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

395 applicable facilities were internally monitored

[See details](#)ⁱ

Total FLA Independent External Monitoring Visits in FLA 2004:

13 applicable facilities were independently monitored by FLA

[More about PVH's IEM visits in 2004](#)

[See individual factory tracking charts](#)

Compliance Staff Worldwide:

12 full-time and 30 part-time staff worldwide – based mainly in regional offices, with headquarters in the U.S.

[Learn more about PVH's Compliance Program](#)

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

[See list of third parties and work conducted^{iv}](#)

Notes:

- **PVH is included in [FLA Year One and Two](#) report.**

[See FLA Y2 Public Report information on PVH](#)

2. PVH's Labor Compliance Program in 2004

The Human Rights and Social Responsibility Program is responsible for implementing PVH's "A Shared Commitment" Code of Conduct, which corresponds with the FLA Workplace Code. In the third year of FLA Implementation, the program included 12 full-time and 30 part-time staff members, organized into regional teams, which were in turn headed by regional leaders. The five regional teams covered: the United States and Canada; Caribbean, South and Central America; Europe, Middle East and Africa; South Asia; and East and South East Asia. All program activities are overseen by PVH's Vice President of Global Human Rights and Social Responsibility, who is based at U.S. headquarters and 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.

PVH contracted third party organizations for compliance support. Among the third party organizations were Triburg in India; World Trading Co. in Egypt; Gateway in Brazil; GSC in Italy, Romania, and China; Intertek in Brazil and China; ALGI in Brazil; WIRE in Israel and Jordan; Bureau Veritas (BVQI)/MTL in Italy and China; Global Standards in Vietnam; and LIFT Standards in Bangladesh.

3. Developments in PVH's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

PVH reported that in 2004, it changed the name of its labor compliance program from "Human Rights" to "Global Human Rights and Social Responsibility," to reflect the company's evolution in thinking about traditional monitoring. PVH concluded that traditional monitoring does not lead to sustainable change throughout its supply chain, and instead results in an endless cycle of factories moving into and out of compliance. PVH sees compliance as a process of addressing endemic problems at their roots that requires time, commitment, and transparency from both PVH and from factory partners. Therefore, the overarching goal in 2004 was to strengthen and expand the Critical Engagement and Impact Program (CEIP). The focus of activity in 2004 in this regard was on:

- **Remediation:** Identification of problems underlying noncompliance as a necessary step for tackling complex remediations. The emphasis in 2004 was on staff skill-building and on working with factories to take ownership of the remediation process by developing their own Corrective Action Plans (CAPs) and

implementation timelines, and working to build consensus with the PVH Approval Team.

- **Collaboration:** Strengthen collaboration between brands, among PVH departments, with factory management, and between factory managers and workers in order enable carrying out complex remediation and promote sustainable change. In an effort to achieve critical mass required to achieve change at the factory and country level, in 2004 PVH worked with adidas-Salomon, Reebok, Jones Apparel, The Gap, Liz Claiborne, Nike, and Levi-Strauss.
- **Innovation:** PVH has developed innovative tools and programs to support the CEIP. In addition, in 2004 PVH established a program on air quality and several pilot programs, among them a Worker's Committee at a factory in China, a program to address working hours problems in China, collaboration with other brands on a case-by-case basis, followed by roll-outs to others, and developing the skills of local resources.

[Click here](#) to see the Year Two report on PVH.

B. Selected Elements in Implementing the FLA Requirements

- In 2004, PVH audited all 395 factories reported to the FLA that were used for production during the reporting period.
- PVH audited all new factories prior to any production and verified compliance with its code of conduct at each active factory at least once every 15 months. Follow-up and progress audits also took place during that period.
- A total of 115 initial audits were conducted. No factory was approved during the initial evaluation, and all received remediation. PVH opted not to pursue business relationships with several factories that had severe cases of noncompliance with the company's Code of Conduct and management that PVH officials deemed lacked the integrity, commitment, and transparency to undertake an effective and timely remediation process.
- PVH ended between 40 and 50 business relations in 2004 once it exhausted all resources and options for bringing the factories into compliance and it became evident that management was unwilling to undertake serious steps towards compliance.
- PVH maintained a computerized Human Rights Database that was kept up-to-date so it could act as a real-time tracking device. The database automatically sends PVH staff a notification if a factory's approval is within 90 days of expiration. Additional audits are scheduled for a variety of reasons, ranging from factory location in an area where noncompliance issues are recurring frequently to a change in local laws.

[Click here](#) to review PVH's activities in Year Two.

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

A. An Introduction to FLA Independent External Monitoring

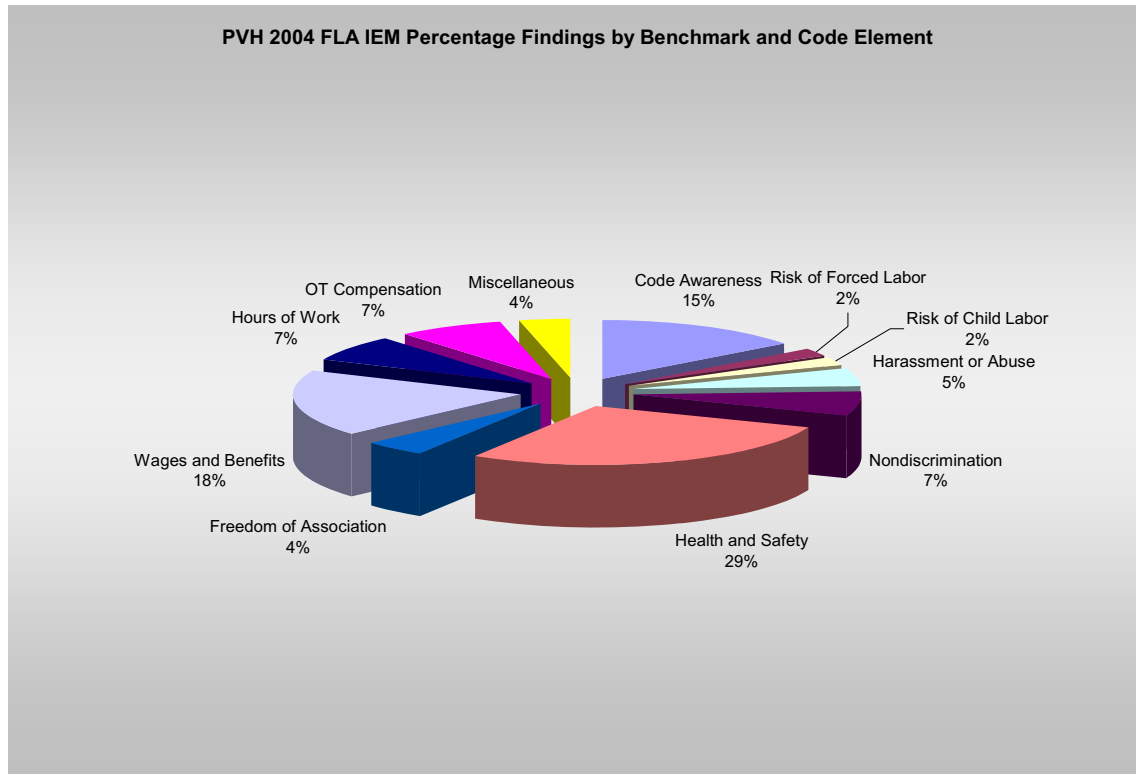
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Phillips-Van Heusen's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in PVH's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in PVH applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

PVH Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		13
Remediation shared with other FLA Companies:		7
Remediation undertaken independently:		6
Average number of workers per independently monitored facility: 1,110		
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	2	Global Standards (2)
Southeast Asia -- Thailand, Indonesia	3	Bureau Veritas (1), Global Standards (1), Kenan Asia Institute (1)
South Asia -- India	3	Bureau Veritas (3)
Americas -- Brazil, Dominican Republic, Mexico, USA	5	A & L Group, Inc. (1), Cotecna (4)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in PVH's facilities, which PVH addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 29% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, personal protective equipment, legal compliance with fire safety and health and safety standards, and safety equipment.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 32% of all findings related to **Wages and Benefits** (18%), **Hours of Work** (7%), and **Overtime Compensation** (7%). The top Wages and Hours of Work issues taken up by Phillips-Van Heusen through corrective actions plans were related to overtime limitations, overtime compensation, record maintenance and accurate recording of overtime hours, and legal compliance with holidays and leave. Noncompliance with **Code Awareness** represented 15% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were worker and management awareness of the code of conduct, a functioning confidential non-compliance reporting mechanisms and code posting.

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 Phillips-Van Heusen. Likewise there were no findings of underage workers in these facilities. The **Forced Labor** (2%) and **Child Labor** (2%) 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 these and other FLA Code provisions, and visit the [FLA factory tracking charts](#) to learn more about Phillips-Van Heusen’s approach to remediation of all of the noncompliance issues mentioned above.

[Click here^{iv}](#) to learn how the FLA collects the data that is illustrated in this chart.

iv PVH’s FLA Applicable Facilities and Monitoring Activities in 2004

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 <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
Argentina	1	1	0
Australia	1	1	0
Bangladesh	14	14	0
Brazil	54	54	2
Cambodia	8	8	0
Canada	4	4	0
China	93	93	2
Colombia	1	1	0
Costa Rica	2	2	0
Dominican Republic	21	21	1
Egypt	4	4	0
El Salvador	1	1	0
Honduras	3	3	0

Hong Kong	14	14	0
India	42	42	3
Indonesia	7	7	1
Israel	2	2	0
Italy	9	9	0
Jamaica	1	1	0
Japan	2	2	0
Jordan	2	2	0
Korea	21	21	0
Macau	2	2	0
Malaysia	4	4	0
Mexico	14	14	1
Malaysia	4	4	0
Mongolia	3	3	0
Peru	4	4	0
Philippines	10	10	0
Romania	3	3	0
Sri Lanka	10	10	0
Taiwan	6	8	0
Thailand	6	6	2
Turkey	4	4	0
Ukraine	3	3	0
USA	12	12	1
Vietnam	5	5	0
Total	395	395	13

Third Parties Contracted by PVH for Compliance Support in 2004		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored, If Applicable
A & L Group, Inc.	Full compliance audits – Brazil	14
Bureau Veritas (MTL)	Full compliance audits – Italy and China	3
Global Social Compliance	Full compliance audits – Italy, Romania and China	8
Global Standards	Full compliance audits -- Vietnam	7
Intertek	Full compliance audits – Brazil and China	9
LIFT Standards	Full compliance audits -- Bangladesh	5
WIRE	Full compliance audits – Israel and Jordan	3

5. PVH Compliance Program: An FLA-Accredited Compliance Program

FLA Accreditation of Phillips-Van Heusen Labor Compliance Program 2005

In May 2005, the FLA Board of Directors voted to accredit Phillips-Van Heusen Global Human Rights and Social Responsibility Program. The decision was based on an assessment by FLA staff that included audits both at headquarters and at the field level, and visits to a number of supplier facilities. In conducting the assessment, FLA staff interviewed PVH personnel, inspected files, observed the annual compliance staff training, reviewed factory records, observed PVH field staff in factories, and analyzed findings from a total of 24 independent external monitoring visits conducted at PVH facilities over the course of the previous three years.

This accreditation assessment focused exclusively on PVH's compliance program during the initial implementation period, which lasted from July 2001 until December 2004. The compliance program implements FLA Standards in the factories that produce PVH apparel around the world (73 in Year One, 190 in Year Two, and 395 in Year Three – [click here](#) to see where they are located).

By accrediting PVH, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that PVH submitted upon entering the FLA. Accreditation does not 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.

[Click here](#)^{iv} for more information about FLA accreditation.

FLA Assessment of PVH Compliance Program – In Brief

The FLA determined that PVH Global Human Rights and Social Responsibility staff is highly active in most apparel factories producing for PVH. The PVH compliance team is comprised of ten full-time staff, in addition to a group of 33 part-time compliance officers working in Asia and the Americas. PVH compliance staff conducts the majority of internal audits, with help from third-party monitors when the need arises. Regular presence in the majority of factories affords the staff opportunities to coach factory management to make long-term improvements in compliance. Especially notable during the implementation period were PVH's efforts to experiment with holistic approaches to factory compliance. An example of this is the Critical Engagement and Impact Program. It combines monitoring with engagement, capacity building, remediation of root causes and implementation of policies, procedures and systems at the factory level to ensure sustainability.

Overall, the company is an active participant in the FLA, and has encouraged apparel 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 PVH fulfilled particular FLA requirements for accreditation.

[Click here to return to the full FLA 2005 Report on PVH.](#)

**PVH's Fulfillment of
FLA Requirements for Program Accreditation**
July 2001 through December 2004

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

Phillips-Van Heusen communicates its Code of Conduct, called "A Shared Commitment," through a variety of means. Each new factory receives a pre-production audit information packet that describes the company's Code of Conduct, in addition to the illustrated "Guidelines for Vendors: Most Commonly Asked Questions on Compliance." The Human Rights department publishes a Human Rights Newsletter on a quarterly basis that is distributed to sourcing agents, licensees, and vendors. PVH requires the Code of Conduct to be posted in each facility in the local language of the facility.

PVH purchase orders and key business agreements related to sourcing include a human rights requirement clause, and new vendors are required to sign a letter acknowledging their understanding of PVH's compliance process. Vendors participate in compliance workshops on various code elements, such as Freedom of Association.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

PVH maintains a training program for Human Rights Program staff that includes a three to four-week orientation for new employees and publication of a quarterly Human Rights Newsletter for sourcing staff. Within the Human Rights Program, the Training Committee works to identify training needs among staff, vendors, and workers. "Country Key" documents developed by compliance staff serve to outline the critical issues particular to a sourcing country to keep staff informed of the latest compliance issues. Additionally, PVH compliance staff and monitors participate in external trainings on topics such as conflict prevention and resolution.

Provided Employees with Confidential Reporting Channels to Report Noncompliance

During audits, PVH auditors evaluate internal grievance channels and discuss with factory managers ways to improve the effectiveness of those channels. In some cases, auditors provide business cards to workers whom they have interviewed. The cards provide workers with a telephone number for PVH local offices, and thereby create an anonymous channel through which workers can lodge grievances.

Conducted Internal Monitoring of Applicable Facilities

PVH regularly audits its factories every 15-18 months. The audit process includes worker interviews, a documentation review, and a health and safety review. PVH collects and verifies compliance information through an audit instrument called the Shared Commitment Evaluation Form. Analysis of the audit findings allows PVH compliance staff to work with factories to build remediation plans. A computerized database acts as a real-time tracking device to remind monitors of regularly scheduled audits; additional audits occur for a variety of reasons, among them the result of frequent non-compliance issues in a particular region, a change in local laws, or other red flags.

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

PVH provided factory lists, factory profiles, and related information to the FLA as required during years one through three of the initial implementation period. PVH ensured that no FLA monitors were denied access to 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.

Collected and Managed Compliance Information Effectively

PVH uses a database to collect and organize factory compliance information. PVH is able to generate a summary of non-compliance issues identified in each region. Summaries of non-compliances by region and by code element are provided to the FLA in the PVH annual reports.

Remediated Noncompliance Issues in a Timely Manner

Following FLA IEM visits, the Human Rights staff developed remediation plans with factories, which were implemented in a reasonable timeframe (usually 60 days). FLA staff confirmed the timely submission of corrective action plans during PVH's three year implementation period.

PVH has created a process for rating a factory and determining future business based on progress of remediation. The Human Rights Approval Committee, comprised of three executives from Compliance and Sourcing, receives factory evaluations and qualifies them as either approved, requires a follow-up visit, or not approved. The committee makes joint decisions about vendor compliance and the business relationship. While PVH attempts to stay with a factory to work on remediation, it will exit if the factory management proves unwilling to move forward on key remediation issues.

Acted to Prevent Persistent Forms of Noncompliance

The company's regional leaders issue quarterly reviews of all the audit reports in their region and analyze the trends. Examples of these trends are cited in the annual report to the FLA. PVH has participated in FLA special projects (i.e., Central America Project, Sustainable Compliance and Hours of Work projects in China), training programs, or other focused initiatives to address major forms of non-compliance.

PVH's efforts relating to worker participation, air quality improvement, and reduction of excessive hours in the workplace are especially notable with regard to prevention of noncompliance. For example, PVH has worked with a consultant to improve air quality in PVH contracted footwear factories in China. Through its Critical Engagement and Impact Program and participation in the Hours of Work project, PVH has initiated a program to reduce excessive hours of work in China.

PVH developed a special Tenant Clause as a result of factory tenement practices (multiple factories in the same building) occurring in Bangladesh. The clause requires an entire building to be owned by the same vendor and not leased out to other factories if the factory is to conduct business with PVH. This helps PVH to have access to all areas of the building and to monitor health and safety and other issues more closely.

Additional details about PVH's projects can be accessed by clicking the "Compliance Program" tab above, or in the FLA's Year Two report on PVH.

Consulted with Civil Society (i.e., Labor, Human Rights, Religious or other Local Institutions)

PVH consults with civil society on a frequent basis, particularly in countries with challenging compliance issues. PVH maintains these links to assist staff in remediation work, training on harassment, and the promotion of Code Awareness among workers.

PVH's audit instrument instructs monitors to investigate whether or not a factory has a collective bargaining agreement. If so, the monitors are asked to retain a copy and inquire whether or not the factory is in compliance with it.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All PVH 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.

PUMA AG

1. PUMA AG Company Profile

Company Name: **PUMA AG**

Year of FLA Implementation: **First year**

FLA Initial Implementation Period Ends: **Dec 2006**

Annual Consolidated Revenue in FY 2004 (millions): **1.530 € Euros**

Company Status: **PUMA is publicly listed on the German Stock Exchange**

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

PUMA / 100%

Total Applicable Facilities Worldwide in FLA 2004:

352 applicable facilities

[See details](#) ^{iv}

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

337 applicable facilities

[See details](#) ⁱ

Total FLA Independent External Monitoring Visits in FLA 2004:

9 applicable facilities independently monitored by FLA

[More about PUMA IEM visits in 2004](#)

[See individual factory tracking chart](#)

Compliance Staff Worldwide:

9 full-time staff members who oversee the social compliance program worldwide.

[Learn more about PUMA's Compliance Program](#)

Third parties contracted by compliance team? **No**

2. PUMA's Labor Compliance Program in 2004

PUMA's labor and environmental compliance department is named S.A.F.E. (Social Accountability and Fundamental Environmental Standards). It is responsible for the strategic development as well as implementation of PUMA's

Code of Conduct, which corresponds with the standards in the FLA's Workplace Code. The Global Head of S.A.F.E. reports directly to the Board of Management. PUMA has S.A.F.E. Teams for Europe, the Middle East, and Africa, in Asia and the Americas, and in China. Overall, S.A.F.E. had 9 full time staff members, supported by S.A.F.E. representatives at the factory level as well as technicians. PUMA audits all suppliers for their social and environmental performance, including licensee suppliers, on a regular basis. These audits are conducted by PUMA staff.

3. Developments in PUMA's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

1. Strategic Monitoring

- Audited perspective new suppliers for compliance before start of production. Together with results from S.A.F.E. Audits for existing suppliers, 49 companies were screened out for deficiencies in their social or environmental performance;
- Conducted 337 S.A.F.E. audits, compared to 263 in 2003. Of the audits conducted in 2004, 171 were re-audits of factories that were on PUMA's factory list; and
- Developed a database that contains information on all its authorized suppliers.

2. Special Projects

- Started participation in two FLA projects: Hours of Work, which seeks to understand the root causes of excessive overtime, and the Sustainable Compliance Project, which focuses specifically on China; and
- Participated in a round table discussion on codes of conduct facilitated by the German Ministry for Economic Cooperation and Development.

3. Stakeholder Dialogues

PUMA convened its second annual stakeholder dialogue meeting. PUMA suppliers, NGOs, local trade unions, academics, the ILO, and PUMA's CEO and the Head of Sourcing met to discuss PUMA's internal strategy on social compliance. The meeting was moderated by the German Network of Business Ethics.

4. FLA Independent External Monitoring in PUMA Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

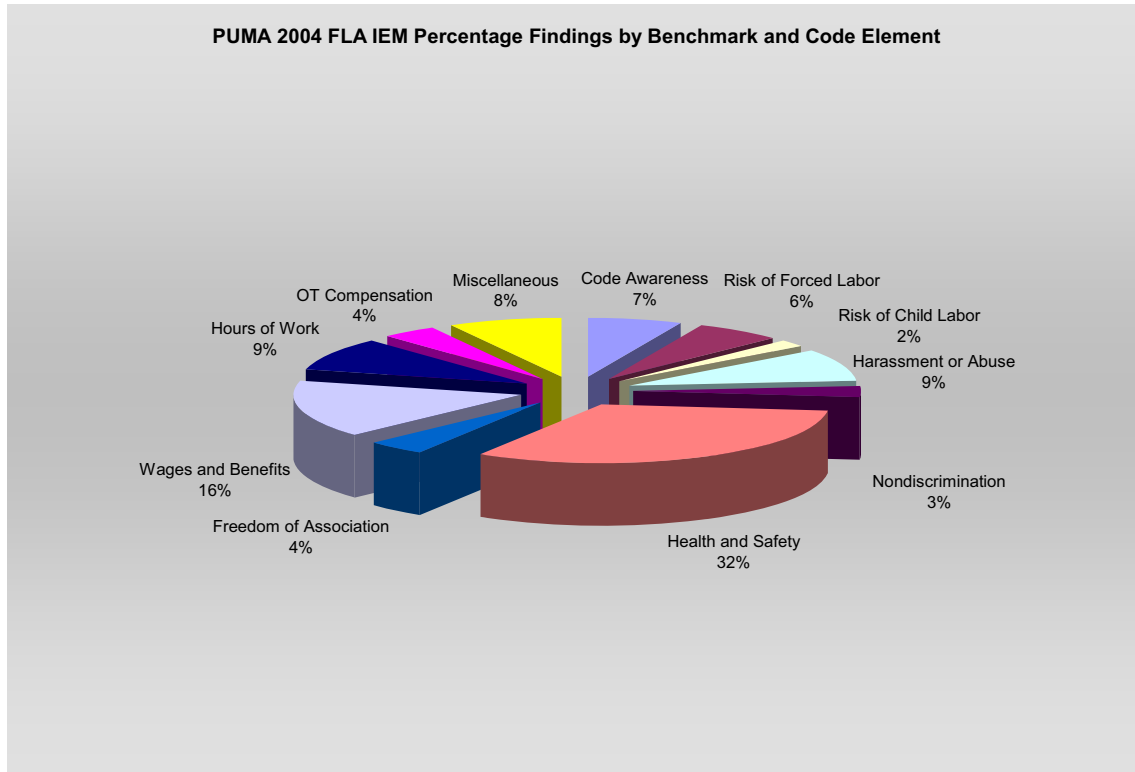
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Puma's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in PUMA's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in PUMA applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

PUMA Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		9
Remediation shared with other FLA Companies:		5
Remediation undertaken independently:		4
Average number of workers per independently monitored facility:		477
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China	4	Kenan Institute (1), Société Générale de Surveillance (3)
Southeast Asia -- Bangladesh, Indonesia, Thailand, Vietnam	4	LIFT Standards (1), Bureau Veritas (1), Global Standards (2)
EMEA --Turkey	1	Société Générale de Surveillance

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Puma’s facilities, which PUMA addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 32% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to safety equipment, sanitation issues, fire safety, and personal protective equipment.

Noncompliance with the FLA’s Wages and Hours of Work was also common, with a total of 29% of all findings related to **Wages and Benefits** (16%), **Hours of Work** (9%), and **Overtime Compensation** (4%). The top Wages and Hours of Work issues taken up by PUMA through corrective action plans were related to payment of minimum wages, irregularities in pay statements, and legal benefits.

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 or Abuse.

There were no findings of forced or bonded labor in facilities producing for PUMA. Likewise there were no findings of underage workers in these facilities. The Forced Labor (6%) and Child Labor (2%) 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 Puma's approach to remediation of all of the noncompliance issues mentioned above.

[Click here](#)^{iv} to learn how the FLA collects the data that is illustrated in this chart.

iv PUMA's FLA Applicable Facilities and Monitoring Activities in [2004](#)

In accordance with the FLA Charter, the chart below lists the countries where PUMA'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 <u>Applicable Facilities</u>	PUMA <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
Argentina	5	5	0
Bangladesh	6	6	0
Brazil	6	4	0
Bulgaria	6	11	0
Cambodia	5	5	0
Canada	1	1	0
Chile	0	2	0
China	106	136	4
Colombia	0	1	0
Czech Republic	1	0	0
Ecuador	1	1	0
Egypt	1	1	0
El Salvador	0	2	0
Greece	3	1	0
India	8	7	0
Indonesia	7	8	1
Ireland	1	0	0
Italy	14	6	0
Japan	4	2	0
Korea	10	0	0
Laos	2	2	0
Lesotho	1	1	0
Malaysia	13	10	0
Mexico	2	2	0
Morocco	3	0	0
New Zealand	1	0	0
Pakistan	0	5	0
Paraguay	1	1	0
Philippines	7	7	0
Poland	3	1	0
Portugal	20	19	0
Romania	6	0	0
Singapore	1	1	0
Slovakia	2	1	0
South Africa	6	7	0
Spain	3	3	0
Taiwan	13	13	0
Thailand	21	17	1
Tunisia	6	7	0
Turkey	35	21	1
Ukraine	0	3	0
United Kingdom	1	0	0
Venezuela	1	1	0
Vietnam	19	16	1

TOTAL	352	337	9
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^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Reebok International, Ltd.

1. Reebok Company Profile

In May 2005, the FLA Board of Directors accredited Reebok's apparel compliance program. Please click on the "FLA Accredited Program" tab read the accreditation report. [Click here](#) for a description of FLA Accreditation.

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

Year of FLA Implementation: **Apparel: 3rd year** [See FLA Y2 report on Reebok](#)

FLA Initial Implementation Period Ended: **Apparel: Dec 2004** [See FLA Accreditation Report](#)

Company's Annual Consolidated Revenue in FY 2004 (millions): **\$3,785**

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

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

Reebok® footwear / 51%
Reebok® apparel* / 32%

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

Total Applicable Facilities Worldwide in FLA 2004:

470 applicable facilities [See details^{iv}](#)

Applicable Facilities Subject to Internal Monitoring Visits in FLA 2004:

297 applicable facilities [See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

16 applicable facilities [Click here for more about Reebok' IEM visits in 2004](#)

[Click here to see individual factory tracking charts](#)

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

[Learn more about Reebok's Compliance Program](#)

Third parties contracted by compliance team? **Yes** [See list of third parties and work conducted^{iv}](#)

Notes:

- Reebok is included in [FLA Year One and Two](#) report.
- Reebok footwear received [FLA Accreditation](#) in April 2004 and Reebok apparel received [FLA Accreditation](#) in May 2005.
- Reebok is an FLA University Licensee.

[Click here to view list of universities^{iv}](#)

[Access FLA database to learn about where licensed goods are produced.](#)

2. Reebok's Labor Compliance Program in 2004

Reebok's Human Rights Program is responsible for implementing Reebok's Human Rights Production Standards, which correspond with the FLA Workplace Code of Conduct. The Human Rights Program is headed by the Vice President of Human Rights Program, who is based at company headquarters, and reports to Reebok International Ltd.'s CEO and Chairman of the Board. The Human Rights program – which covers both apparel and footwear – comprised 17 full-time and 7 part-time staff members, based at headquarters and in four regions: East/North Asia, South Asia, Europe/Middle East, and Latin America/Mexico/United States. The Human Rights Program worked closely with other departments to improve labor compliance at factories. In particular, Reebok's Sourcing Managers and Production Managers had increasing labor compliance-related responsibilities.

The vast majority of internal monitoring visits to Reebok's apparel and footwear facilities in 2004 were conducted by the company's Human Rights staff. However, Reebok also contracted with the following third-party organizations for compliance support in apparel factories: Intertek for audits in Spain, Italy, Jordan, Lesotho, Morocco, Romania, and Swaziland; CSCC for audits in the United States; and SGS and Fairland for audits in China. Since 2003, Reebok has required its apparel agents to conduct pre-assessments of new factories they select for Reebok production prior to submitting their names formally to Reebok; in 2004, Reebok required agents to submit reports of their audits to company monitors prior to these monitors conducting a verification audit. Reebok also contracted with Euromed Marseille and Verite for compliance support in footwear factories.

3. Developments in Reebok's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

1. Enhancing Agent Participation in Monitoring

In 2004, Reebok launched an initiative to increase agent accountability for factory working conditions, enhance efficient use of agent and Reebok resources, and increase monitoring coverage. This is particularly significant since in apparel, Reebok works mostly through agents. Reebok piloted the monitoring project with Li & Fung, the

company's largest agent. After evaluating the results of the pilot, Reebok intended to extend it to other agents in 2005.

Pursuant to the project, Li & Fung assumed responsibility for monitoring working conditions at factories at least once annually (twice in high-risk regions) and also to monitor to verify corrective actions taken by the factories. Li & Fung also assumed additional responsibility for training factories on Reebok's Standards and for developing remediation plans. In order to ensure that Li & Fung staff have the proper knowledge and skills to take on these additional tasks, Reebok establish requirements: (1) staff must have the proper education, experience, skills, and abilities to perform job functions; (2) staff must participate in training conducted by Reebok on its Standards; auditing process, content, and techniques; the company's Human Rights Tracking System; and effective monitoring techniques; and (3) staff must participate in "hands on" training in the form of joint audits with Reebok's compliance staff.

2. Outreach to Civil Society

Reebok maintained extensive relationships with human rights, labor, and other local organizations that have the trust of workers and knowledge of local conditions. This was done through the efforts of monitors in the regions in which the company worked as well as through Reebok's efforts to support human rights through the Reebok Human Rights Award and the Reebok Human Rights Foundation. Reebok monitors continued to be accountable for managing NGO contacts in his or her country or region. Reebok's outreach efforts with non-governmental organizations, helped the company increase understanding of local labor conditions as well as problems at specific factories. The company collaborated with NGO representatives to improve workplace conditions in specific regions, or to assist with a particularly difficult situation in a particular factory. Examples of Reebok's NGO outreach included:

- A consultation in March 2004 with the Institute for Contemporary Observation to share experiences and learn about ways in which the media, the legal profession, and brands can work together to protect labor rights in China.
- A consultation in Spring 2004 with the Guangdong Provincial General Union to learn more about the union's activities in the province and to develop strategies for promoting worker representation in factories producing for Reebok given the culture and legal climate in China.
- Training for worker representatives in Thailand on labor law and worker rights and obligations under the law sponsored by Reebok and local NGO Arom Pongpangan. Arom is a labor resource center that publishes research and organizes symposia on national labor policies and activities impacting national labor policies.

3. *Laying the Groundwork for Sustainable Compliance*

In 2004, Reebok sought to lay the groundwork for sustainable compliance in several ways.

- Improving benchmarks on policies, procedures, documentation, and communication systems for more sustainable compliance in its Guide for Implementing Reebok's Human Rights Production Standards. Reebok expanded education and outreach efforts to business partners on sustainable solutions to common compliance problems. Reebok also continued to drive worker participation in decision-making, by encouraging stronger management-worker dialogue, including election experiments.
- Enhancing the skills of monitors, particularly with regard to gathering information through worker interviews, in order to provide more specific guidance to factories on remediation and to report more effectively on monitoring efforts. This was accomplished through a combination of long-standing training programs and new efforts to provide coaching and monitoring opportunities on an ongoing basis.
- Expanding collaboration with other buyers, both in shared facilities and globally. Reebok participated in the formation of the Quality Brands for Better Working Environments Foundation, an organization set up to support and encourage the implementation and enforcement of Chinese labor and industrial health and safety laws and regulations. Reebok is also a founding member of the Fair Factories Clearinghouse, which aims to drive industry collaboration and information sharing on factory workplace conditions.

[Click here](#) to see the Year Two report on Reebok.

B. Selected Elements in Implementing the FLA Requirements

- Reebok revised its Guide to Reebok Human Rights Production Standards to provide factories with more guidance in relations to policies, procedures, documentation, and communication systems that enable more sustainable compliance.
- Reebok provided strategic training to apparel and footwear factory managers, agents, and vendors on the purpose and implementation of the human rights production standards. In addition to general code training, sessions focused on setting expectations, thoroughly explaining the Reebok Standards, and providing participants with the tools they need to continuously improve working conditions.
- Reebok placed emphasis on building the skills of compliance staff particularly in the areas of interviewing, remediation, and reporting. Reebok used a combination of techniques to build staff skills, among them pairing of new or less experienced monitors with experienced ones to provide coaching and mentoring, promoting cross-

monitor communication, and seeking information on best practices through attendance at conferences.

- In 2004, Reebok conducted internal monitoring of 55% of FLA applicable apparel factories and 76% of FLA applicable apparel factories located in high risk countries; similarly, Reebok conducted internal monitoring of 87% of footwear factories.
- Reebok conducted pre-sourcing or initial audits of new factories being considered for brand production. These audits were typically conducted by factories and then agents, and then spot checked by company monitors based on risk. Reebok continued to require external monitoring visits prior to selection of a plant as a supplier.

[Click here](#) to review Reebok's activities in Year Two.

4. FLA Independent External Monitoring in Reebok'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. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Reebok's approach to remediation of noncompliance issues.

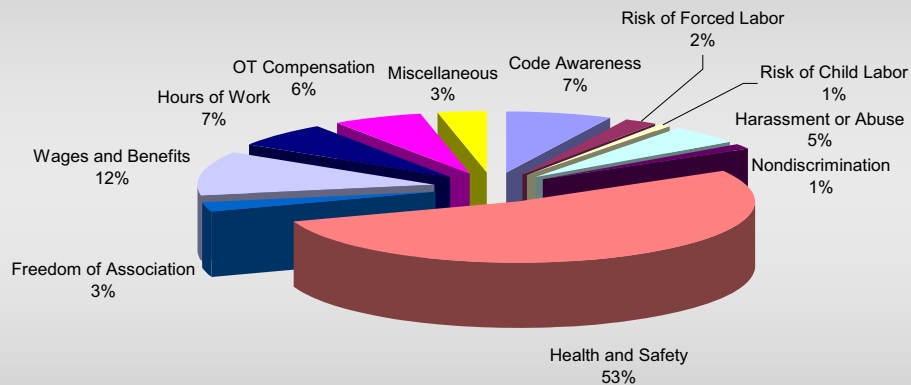
B. Summary of FLA 2004 Independent External Monitoring in Reebok's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Reebok's Applicable Facilities in 2004. It provides background information about the factories, the monitors, and their visits.

Reebok Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		16
Remediation shared with other FLA Companies:		1
Remediation undertaken independently:		15
Average number of workers per independently monitored facility: 1,912		
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- China, Korea	4	Kenan Institute Asia (1), Global Standards (1), Société Générale de Surveillance (2)
South Asia -- Bangladesh, India, Sri Lanka	6	Bureau Veritas (2), LIFT Standards (1), Phulki (1), T-Group Solutions (2)
Southeast Asia -- Thailand, Vietnam	4	Global Standards (2), Kenan Institute Asia (2)
Americas --United States	2	A & L Group, Inc. (2)

C. Independent External Monitoring Results

Reebok 2004 FLA IEM Percentage Findings by Benchmark and Code Element



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Reebok's facilities, which Reebok addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 55% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, safety equipment, personal protective equipment, and chemical safety.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 25% of all findings related to **Wages and Benefits** (12%), **Hours of Work** (7%), and **Overtime Compensation** (6%). The top Wages and Hours of Work issues taken up by Reebok through corrective actions plans were related to overtime limitations, recording of overtime hours, voluntary overtime, overtime compensation, and the factory's provision of legal benefits to workers. Noncompliance with **Code Awareness** represented 7% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were the posting of the code of conduct, worker and management awareness of code provisions and a functioning confidential non-compliance reporting mechanism.

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 Reebok. Likewise there were no findings of underage workers in these facilities. The **Forced Labor** (1%) and **Child Labor** (2%) 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 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.

[Click here](#)^{iv} to learn how the FLA collects the data that is illustrated in this chart.

^{iv} **Reebok’s FLA Applicable Facilities and Monitoring Activities in 2004**

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.

Location of Factories (Country)	Number of Applicable Facilities	Reebok Internal Monitoring (Number of Facilities Visited)	FLA Independent External Monitoring (Number of Facilities Visited)
Bangladesh	8	8	3
Bulgaria	7	3	0
Cambodia	2	2	0
Canada	18	0	0
China	82	79	2
Costa Rica	1	1	0
Dominican Republic	2	2	0
El Salvador	7	7	0
Guatemala	5	4	0
Honduras	6	5	0
India	18	13	2
Indonesia	29	27	0
Italy	5	2	0

Japan	6	0	0
Korea	35	8	1
Lesotho	2	1	0
Macau	7	1	0
Malaysia	7	7	0
Mexico	8	5	0
Morocco	1	1	0
Pakistan	1	1	0
Philippines	9	9	0
Portugal	36	9	0
Romania	1	1	0
Spain	15	5	0
Sri Lanka	17	11	2
Swaziland	2	1	0
Taiwan	30	18	0
Thailand	12	12	2
Tunisia	1	0	0
Turkey	13	13	0
United States	46	13	2
Venezuela	1	0	0
Vietnam	30	28	2
Total	470	297	16

iv

Third Parties Contracted by Reebok Compliance Support in 2004		
Name of Monitoring Group, Organization, etc.	Work Conducted	Number of Factories Monitored
Intertek	Full compliance audits -- Global	12
Cal Safety Compliance Corp	Full compliance audits -- United States	8
Société Générale de Surveillance	Full compliance audits -- China	2
Fairland	Full compliance audits -- Northern China	7

**This table does not take into account all site visits conducted by Reebok agents. Agents who source for Reebok, but are not Reebok employees, are required to conduct a pre-assessment for every new factory and follow up site inspections to ensure action.*

plans are being implemented in a timely manner.

Universities, Colleges and Secondary Schools Licensing Reebok

Name of School	Location
University of Alabama	Alabama
Arizona State University	Arizona
Boston College	Massachusetts
University of California at Los Angeles	California
Illinois State University	Illinois
Northeastern Illinois University	Illinois
Ohio State University	Ohio
Vanderbilt University	Tennessee
Virginia Tech	Virginia

5. Reebok's Apparel Compliance Program: An FLA-Accredited Compliance Program

FLA Accreditation of Reebok Apparel's Labor Compliance Program 2005

In May 2005, the FLA Board of Directors voted to accredit Reebok'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 apparel 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 apparel factories; and analyzed findings from a total of 77 independent external monitoring visits conducted at Reebok apparel facilities over the course of the past three years.

This accreditation assessment focused exclusively on Reebok apparel's compliance program during the initial implementation period, which lasted from July 2001 until December 2004. The compliance program implements FLA Standards in the factories that produce Reebok apparel around the world (totaling 23 in Year One, later consolidated to 20 in Year Two, and further consolidated to 14 in Year Three— [click here](#) to see where they are located). While many of the activities undertaken by Reebok relating to 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). Reebok footwear compliance program was accredited in April 2004.

By accrediting Reebok apparel, the FLA Board formally recognized that the program has fulfilled the requirements set forth by the FLA and in the Monitoring Plan that Reebok apparel 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.

[Click here^{iv}](#) for more information about FLA accreditation.

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

The FLA determined that Reebok Human Rights staff is highly active in most apparel factories producing for Reebok. The Human Rights program at Reebok employs 18 full-time and seven part-time staff to execute its monitoring and remediation activities. Eighteen of those employees serve as factory monitors in Reebok's internal monitoring program. Regular presence in the majority of apparel 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 apparel's efforts to establish sustainable methods to prevent persistent forms of noncompliance. The Compliance Problem Resolution (CPR) program requires all factories within a region to develop policies and the capacity for enforcement on noncompliance issues. For example, a CPR was initiated in Guatemala as a result of cases of extreme working hours without proper documentation.

Overall, the company is a notably active participant in the FLA, and has encouraged apparel 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 apparel fulfilled particular FLA requirements for accreditation.

[Click here to return to the full FLA 2005 Report on Reebok.](#)

**Reebok's Fulfillment of
FLA Requirements for Program Accreditation**
July 2001 through December 2004

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

Reebok's Human Rights Production Standards, adopted in 1992, continue to be the focal point for communications within Reebok's supply chain. Factories are informed of the standards through a Welcome Kit and manufacturing agreements citing the standards and obligations. Reebok has updated and improved its Code of Conduct poster over the course of the implementation period and works with suppliers to ensure the poster is displayed appropriately and in the local language of each factory.

Reebok employs various tactics to ensure an informed workplace, including: trainings, worker handbooks, and a new worker orientation program. Trainings focus on code awareness, local labor law, and Reebok's confidential reporting process. Reebok encourages worker participation in code awareness through the formation of worker committees or forums.

Trained Internal Compliance Staff to Monitor and Remediate Noncompliance Issues

The main vehicle for Reebok's team training is its weeklong Human Rights Annual Team meeting. The 2004 meeting focused on the new Sustainability Audit (S-Audit) approach that requires monitors to identify root causes and analyze factory systems to prevent systemic non-compliances.

Reebok has also created training modules for new and current employees, as well as for agents and Reebok business partners to ensure company training needs are being met. Specific trainings were conducted to improve monitoring skills, including a training with an NGO in 2004 to improve worker interviewing skills, and training with a consultant to better understand the concept of social auditing.

Provided Employees with Confidential Reporting Channels to Report Noncompliance

Reebok has developed a training program for factory management on problem-solving skills and worker-management communication systems. Reebok has encouraged factory management to establish workers' welfare committees as one source of receiving grievances.

Reebok has also developed an online Worker Communication System in which workers can submit comments directly to the company. The system is currently under development with the goal of making it more accessible on the website and in multiple languages.

Conducted Internal Monitoring of Applicable Facilities

Reebok uses a risk-based model to determine which factories it audits. At the time of the accreditation review, Reebok was seeking to make further improvements on the model. Following an audit, Reebok Human Rights staff collects the information on compliance from the audit instrument, verifies the information, and enters the findings into the Human Rights Tracking System. In 2004, functionality was added to the tracking system which allows agents to input pre-sourcing audit results. The system also enables the Human Rights staff to analyze the compliance findings, track trends, and follow remediation.

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 through three of the implementation period. Reebok ensured that no FLA monitors were denied access to apparel 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.

Collected and Managed Compliance Information Effectively

Reebok 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. In 2004, Reebok added new functionality for key agents to enter data into the system. FLA noted that monitors and sourcing personnel are well versed in the HRTS.

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

Remediated Noncompliance Issues in a Timely Manner

Following an audit, the Human Rights staff develops remediation plans with factories based on the information received from monitors and field staff. These plans are implemented in a reasonable timeframe (usually 60 days).

Acted to Prevent Persistent Forms of Noncompliance

In an effort to prevent persistent forms of noncompliance, Reebok developed a Compliance Problem Resolution (CPR) to counteract common compliance issues in a region. Reebok develops a general corrective action plan and asks for regional implementation if a pattern exists. One example is the CPR in Guatemala regarding 'veladas' – extreme working hours without proper documentation. The CPR encouraged all factories to develop policies and structure for enforcement.

Additional details about Reebok's projects can be accessed by clicking the "Compliance Program" tab above, or in the FLA's Year Two report on Reebok.

Consulted with Civil Society (i.e., Labor, Human Rights, Religious and other Local Institutions)

Reebok consults with civil society on a frequent basis, particularly in countries with challenging compliance issues. A list of NGO consultations with participant names, dates and meeting contents has been provided to the FLA on a quarterly basis during the implementation period. Monitors in two regions confirmed that they consulted with NGOs to gain a better understanding of worker concerns and to help them focus on priority issues in the Reebok audits.

Reebok reviews collective bargaining agreements, where existing, as part of their monitoring efforts and seeks to ensure implementation and remediation consistent with those agreements. Reebok also reports on any unions they consult with to the FLA on a quarterly basis.

Paid FLA Dues and Met Other Procedural and Administrative Requirements

All Reebok apparel 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.

Top of the World

1. Top of the World Company Profile

Company Name: **Top of the World**

Year of FLA Implementation: **First year**

FLA Initial Implementation Period Ends: **Dec 2007**

Annual Consolidated Revenue in FY 2004 (millions): **\$20**

Company Status: **Top of the World is privately owned**

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

Top of the World / 95%

Captivating Headgear / 5%

Total Applicable Facilities Worldwide in FLA 2004:

14 applicable facilities

[See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

1 applicable facilities

[See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

1 applicable facility independently monitored by FLA

[More about Top of the World IEM visits in 2004](#)

[See individual factory tracking chart](#)

Compliance Staff Worldwide:

3 part-time staff members oversee the social compliance program from the company headquarters.

[Learn more about Top of the World's Compliance Program](#)

Third parties contracted by compliance team? **No**

Notes:

Top of the World is an FLA Category A University Licensee. [Click here to view list of universities^{iv}](#)

2. Top of the World's Labor Compliance Program in 2004

In 2004, Top of the World completed the first year of its three-year initial implementation period of the FLA program as a Category A University Licensee. Top of the World adopted the FLA Code of Conduct as the basis for implementing its compliance program. The key person responsible for carrying out the company's labor compliance program at headquarters is the Vice President for Operations. Top of the World has three part-time employees devoted to labor compliance at headquarters.

3. Developments in Top of the World's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In 2004, its first year of FLA implementation, Top of the World:

- Attendance at a compliance seminar held by Intertek at Outdoor Cap.
- Development of an audit instrument that outlines the areas the internal monitor should observe during the audit of a facility.
- Development of a database to maintain, track, and report all compliance information.
- Development of an OSHA/Safety training program that encompasses FLA standards.
- Internal monitoring of one of its largest suppliers.

4. FLA Independent External Monitoring in Top of the World Applicable Facilities

A. An Introduction to FLA Independent External Monitoring

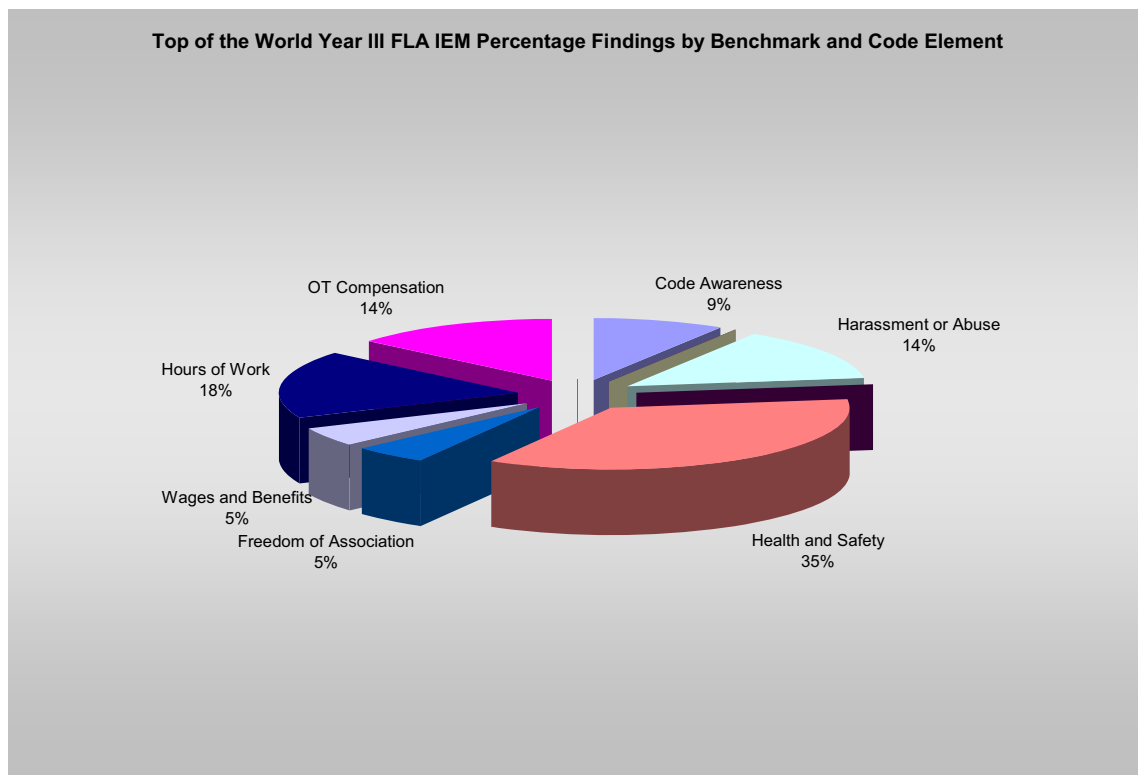
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Outdoor Cap's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in Top of the World's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Top of the World applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

Top of the World Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		1
Remediation shared with other FLA Companies:		0
Remediation undertaken independently:		1
Average number of workers per independently monitored facility:		405
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
Southeast Asia -- Vietnam	1	Global Standards (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Top of the World's facilities, which Top of the World addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 35% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to safety equipment, fire safety and health, chemical management and personal protective equipment.

Noncompliance with the FLA's Wages and Hours of Work was also common, with a total of 37% of all findings related to **Wages and Benefits** (5%), **Hours of Work** (18%), and **Overtime Compensation** (14%). The top Wages and Hours of Work issues taken up by Top of the World through corrective action plans were related to payment of legal benefits, overtime limitations, accurate recording for overtime hours, legal compliance with protected workers and over time compensation. The third highest rated noncompliance was Harassment or Abuse (14%) with respect to lack of disciplinary policy, procedures and systems.

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.

There were no findings of forced or bonded labor in facilities producing for Top of the World. Likewise there were no findings of underage workers in these facilities. 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 Top of the World's approach to remediation of all of the noncompliance issues mentioned above.

[Click here^{iv}](#) to learn how the FLA collects the data that is illustrated in this chart.

^{iv} **[Top of the World's FLA Applicable Facilities and Monitoring Activities in 2004](#)**

In accordance with the FLA Charter, the chart below lists the countries where Top of the World'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 <u>Applicable</u> Facilities	Top of the World <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
Bangladesh	4	0	0
Cambodia	1	0	0
China	4	0	0
Indonesia	2	0	0
Korea	1	0	0
Vietnam	2	1	1
TOTAL	14	1	1

iv

Universities, Colleges and Secondary Schools Licensing Top of the World

Name of School	Location
Albany Law School	New York
University of Arizona	Arizona
Arizona State University	Arizona
Ball State University	Indiana
Boise State University	Idaho
Boston College	Massachusetts
Boston University	Massachusetts
Bowdoin University	Maine
Bucknell University	Pennsylvania
University of California at Davis	California
University of California at Los Angeles	California
University of California at Merced	California
University of California at San Francisco	California
California Institute of Technology	California
California State University at Northridge	California
University of Colorado at Denver	Colorado
Columbia University	New York
Connecticut University	Connecticut
Creighton University	Nebraska
Culver Academies	Indiana
University of Dayton	Ohio
University of Delaware	Delaware
Denison University	Ohio
Duke University	North Carolina
Ferris State University	Michigan
University of Florida	Florida
Florida State University	Florida

Fordham University	New York
Franklin & Marshall College	Pennsylvania
George Mason University	Virginia
University of Georgia	Georgia
Georgia Institute of Technology	Georgia
Gettysburg College	Pennsylvania
University of Illinois at Chicago	Illinois
University of Illinois at Urbana-Champaign	Illinois
Ithaca College	New York
James Madison University	Virginia
Johns Hopkins University	Maryland
University of Kansas	Kansas
Kansas State University	Kansas
Keene State University	New Hampshire
Lake Forest College	Illinois
University of Louisville	Kentucky
University of Maine at Farmington	Maine
University of Maine at Orono	Maine
University of Maryland	Maryland
Marymount University	Virginia
University of Miami	Florida
University of Michigan	Michigan
Michigan State University	Michigan
Michigan Technological University	Michigan
University of Missouri at St. Louis	Missouri
Neumann College	Pennsylvania
University of New Hampshire	New Hampshire
University of New Mexico	New Mexico
New Mexico State University	New Mexico
New School University	New York
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
Phillips Academy	Massachusetts
University of Pittsburgh	Pennsylvania
University of Portland	Oregon
University of Puerto Rico at Humacao	Puerto Rico
Randolph Macon Women's College	Virginia
St. Cloud State University	Minnesota
St. John's University	New York
St. Joseph's University	Pennsylvania
St. Michael's College	Vermont
San Jose State University	California
Santa Clara University	California

School for International Training	Vermont
Simpson College	California
University of Southern California	California
SUNY Cobleskill	New York
Temple University	Pennsylvania
University of Texas at Austin	Texas
University of Texas, Medical Branch at Galveston	Texas
Utah State University	Utah
Valdosta State University	Georgia
Vassar College	New York
University of Virginia	Virginia
Virginia Tech	Virginia
Walsh University	Ohio
Washington University	Missouri
West Virginia University	West Virginia
Wheaton College	Massachusetts
University of Wisconsin at Oshkosh	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut

^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.

Zephyr Graf-X

1. Zephyr Graf-X Company Profile

Company Name: **Zephyr Graf-X**

Year of FLA Implementation: **2nd year** [See FLA Y2 Report on Zephyr Graf-X](#)

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

Annual Consolidated Revenue in FY 2004 (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 2004:

7 applicable facilities [See details^{iv}](#)

Applicable Facilities subject to Internal Monitoring Visits in FLA 2004:

3 applicable facilities [See detailsⁱ](#)

Total FLA Independent External Monitoring Visits in FLA 2004:

1 applicable facility independently monitored by FLA

[More about Zephyr Graf-X's IEM visits in 2004](#)

[See individual factory tracking chart](#)

Compliance Staff Worldwide:

2 part-time staff members oversee the compliance program operating from their headquarters.

[Learn more about Zephyr Graf-X's Compliance Program](#)

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

Notes:

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

[Click here to view list of universities^{iv}](#)

2. Zephyr Graf-X's Labor Compliance Program in 2004

In 2004, Zephyr completed the second year of its three-year initial implementation period of the FLA program. Zephyr has adopted the FLA Workplace Code of Conduct as the basis for implementing its compliance program. Zephyr's compliance program is directed by the company's CEO, assisted by the Licensing Director. The CEO works directly with factories through daily communications and regular visits. Zephyr contracted with SGS-CSTS Standard Technical Services Co., Ltd., to provide internal audit of a factory in China.

3. Developments in Zephyr Graf-X's Labor Compliance Program in 2004^{iv}

A. Compliance Systems Developed in 2004

In 2004, Zephyr's labor compliance program focused mainly on internally monitoring new and existing factories and on staff training. Zephyr conducted an internal audit in its new factory in China (Qingdao Sung Jin Int'l Co., Ltd.), the largest employer and largest producer among Zephyr suppliers. Zephyr also trained a staff member to become the contact point with the FLA and to manage internal monitoring and the process of independent external monitoring. Zephyr took steps to establish a confidential reporting channel to allow employees to report noncompliance to Zephyr without fear of retaliation. This initiative consisted of installing suggestion boxes in areas outside the view of management where employees could register their complaints.

[Click here](#) to see the Year Two report on Zephyr Graf-X.

B. Selected Elements in Implementing the FLA Requirements

Zephyr conducted three announced internal audits in 2004, two carried by company personnel and one by SGS. The audit conducted by SGS found noncompliance issues in a factory in China, namely, lack of a confidential noncompliance reporting channel, safety and evacuation violations, payments by workers of recruiting agent fees exceeding those fees stated in the recruiting contract, excessive hours of work, incorrect calculation of overtime payments, failure on the part of the factory to contribute to the workers' social insurance, and lack of freedom of association.. In reaction to the audit, Zephyr planned in 2005 to develop a remediation plan to address all noncompliance issues and in particular seek the creation of some form of worker representation entity. Zephyr planned to source from two additional Chinese companies in 2005 and intended to meet with management of the two factories to discuss all issues covered by the Code

of Conduct, in particular the noncompliance issues that are most common in Chinese factories, such as freedom of association and lack of worker representation.

[Click here](#) to review Zephyr Graf-X's activities in Year Two.

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

A. An Introduction to FLA Independent External Monitoring

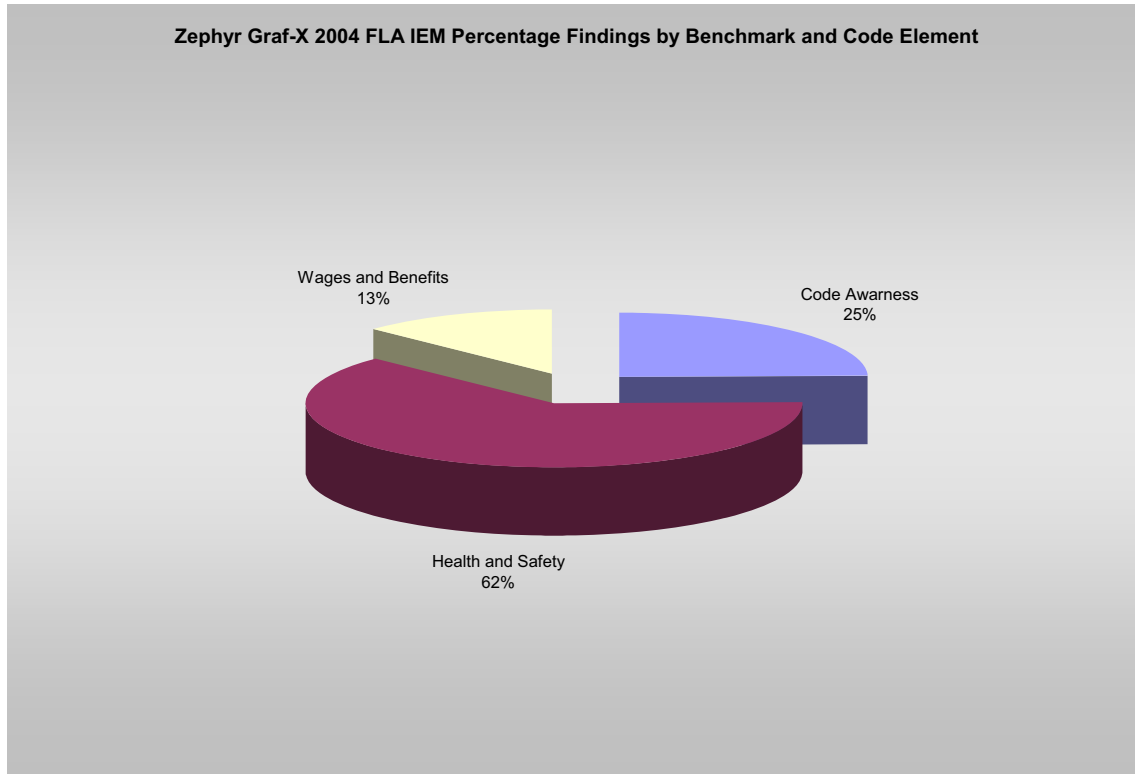
FLA independent external monitoring (IEM) is one way that the FLA verifies Participating Companies' compliance activities in the factories where they produce. By conducting unannounced independent external monitoring visits in approximately 5% of all Participating Company applicable facilities that are deemed to be high risk, the FLA is able to observe a company's progress in developing systems for effective prevention and remediation of noncompliance issues each year. The FLA tracking charts (accessed at <http://fairlabor.org/all/transparency/reports.html>) provide detailed information about monitoring findings and Zephyr Graph-X's approach to remediation of noncompliance issues.

B. Summary of FLA 2004 Independent External Monitoring in Zephyr's Applicable Facilities

The following table provides information about FLA independent monitoring visits undertaken in Zephyr applicable facilities in 2004. It provides background information about the factories, the monitors, and their visits.

Zephyr Graf-X Independent External Monitoring (IEM) Summary – 2004		
Number of IEMs in 2004:		1
Remediation shared with other FLA Companies:		1
Remediation undertaken independently:		0
Average number of workers per independently monitored facility:		14
<u>Regions</u>	Independent External Monitoring Visits	FLA-Accredited Monitors Conducting Visits
East Asia -- Korea	1	Global Standards (1)

C. Independent External Monitoring Results



The figure above displays the percentage breakdown by Code Provision of the total noncompliance issues reported by FLA independent monitors in Zephyr’s facilities, which Zephyr addressed through remediation in 2004. Noncompliance findings with regard to **Health and Safety** were the most frequently reported issues, making up 62% of the total noncompliance issues identified.^{iv} The most commonly reported and remediated Health and Safety issues were related to inadequate postings and evacuation procedures, safety equipment, personal protective equipment, and chemical safety.

Noncompliance with **Code Awareness** represented 25% of the noncompliance findings; the most common instances of noncompliance in this area addressed through remediation were the posting of the code of conduct, worker and management awareness of code provisions and a functioning confidential non-compliance reporting mechanism. Noncompliance with the FLA’s Wages and Hours of Work was also common, with a total of 13% of all findings related to **Wages and Benefits** (13%) The top Wages and Hours of Work issues taken up by Zephyr through corrective action plans were related to overtime limitations, recording of overtime hours, voluntary overtime, overtime compensation, 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 Zephyr. Likewise there were no findings of underage workers in these facilities. 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 Zephyr's approach to remediation of all of the noncompliance issues mentioned above.

[Click here^{iv}](#) to learn how the FLA collects the data that is illustrated in this chart.

iv Zephyr Graf-X's FLA Applicable Facilities and Monitoring Activities in [2004](#)

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 <u>Internal Monitoring</u> (Number of Facilities Visited)	FLA <u>Independent External Monitoring</u> (Number of Facilities Visited)
China	1	1	0
Russia	1	1	0
South Korea	2	1	1
United States	2	0	0
Vietnam	1	0	0
TOTAL	7	3	1

Universities, Colleges and Secondary Schools Licensing 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 San Diego	California
University of California at Santa Barbara	California
University of California at Santa Cruz	California
California State University at Long Beach	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
University of Illinois at Chicago	Illinois
University of Illinois at Urbana-Champaign	Illinois
Illinois State University	Illinois
Ithaca College	New York
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
Skidmore College	New York
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

University of Wisconsin at Milwaukee	Wisconsin
University of Wyoming	Wyoming
Xavier University	Ohio
Yale University	Connecticut

^{iv} ***Understanding the data reported in this section***

To understand the data reported in this section, take for example the FLA Code provision relating to Harassment or Abuse. The FLA Workplace Code states: "Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse." The [FLA Benchmarks](#) provide monitors with guidance about the meaning of each FLA Code provision ([click here](#)^{iv} to see the benchmarks for Harassment or Abuse). By way of example, if in the context of an IEM a monitor were to observe that: (1) workers in a factory are not allowed access to toilets; and (2) a manager is verbally abusive to workers, the monitor would report to the FLA instances of noncompliance with regard to two benchmarks, that is, two instances of noncompliance even though both relate to the same Code provision. In contrast, if a monitor were to observe several instances of noncompliance with a single benchmark in a given factory, these will be counted as one noncompliance. For example, if a monitor were to observe restrictions on access to toilets in different sections of the factory, these distinct instances of noncompliance would be cited once under Harassment or Abuse.

Thus, the frequency of noncompliance with a particular Code provision can provide some general sense of factory conditions, but does not necessarily present the complete story. Additionally, because the investigations are qualitative in nature, the quantitative information provided should not be taken as hard statistics but rather as indications of trends in the FLA supply chain. The FLA is continuing to work in developing a database for improved processing and reporting of data collected during IEMs. Please access individual [factory tracking charts](#) for a more comprehensive and detailed look at factory conditions.