



FAIR LABOR
ASSOCIATION®

2012
Annual
Report

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Board of Directors*

The Fair Labor Association’s Board of Directors includes an independent Chair and six representatives each from our three constituent groups: companies, NGOs, and colleges and universities.

CHAIR

Kathryn “Kitty” Higgins

Former U.S. Deputy Secretary of Labor

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Russell Brands/
Fruit of the Loom

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Patagonia

Dr. Juan Gonzalez-Valero

Syngenta

Brad Grider

Hanesbrands

Gregg Nebel

adidas Group

Tammy Rodriguez

Esquel Group

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Responsible Apparel
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National Consumers League

Meg Roggensack

Human Rights First

Jim Silk

Yale Law School

Karen Tramontano

Global Fairness Initiative

Lynda Yanz

Maquila Solidarity Network

FLA extends its thanks to our Board members for their dedicated service to the organization and its mission.

* As of December 2012

Foreword

By Michael H. Posner, former Assistant Secretary of State for Democracy, Human Rights & Labor (2009 – 2013)



Michael H. Posner speaks at a press conference at the U.S. Mission to the United Nations in Geneva.

In 2012 the Fair Labor Association broke important new ground, extending its work on supply chains into the electronics industry, working with Apple and its supplier Foxconn in China, and by mapping Nestlé’s complete cocoa sourcing process in Ivory Coast for the first time. These new frontiers draw on the FLA’s almost two decades of pioneering work advancing practical approaches to improve labor standards primarily in the apparel and footwear industries.

In a period marked by tremendous growth and change in global manufacturing networks, and at a time when more and more companies are asserting their commitment to responsible sourcing, the FLA is the gold standard for a principled, practical approach to some of the most vexing challenges of globalization - how to ensure that bringing everyday products to market doesn’t come at the expense of individual rights.

I have been a supporter of the FLA since its beginnings in the Apparel Industry Partnership in 1996 and served on its board until I joined the Obama administration as Assistant Secretary of State for Democracy, Human Rights and Labor (DRL) in 2009. While I had long appreciated the FLA’s innovative approach to advancing labor rights while working outside of government, I came to view its work in a much broader context from my perch inside the State Department.

As we built a business and human rights unit within DRL, I saw how many American and other global companies are now struggling to find the right path to operate in an increasingly complicated global economy. To cite a few examples, companies in the oil and mining industries face daunting challenges in providing physical security to their employees and protecting their assets in the conflict zones where they often operate; globally connected information technology platforms have an important role to play in protecting freedom of expression and privacy, especially as they operate in countries that seek to use online tools to suppress rights; and governments and the private contractors they rely on for

security are now beginning to develop their own internal standards and systems of accountability for that industry.

After leaving government earlier in 2013, I am now working with Sarah Labowitz (a former FLA staffer) to build a center on business and human rights at NYU's Stern School of Business that will study the challenges of respecting human rights in an increasingly complex global environment. As we embark on this endeavor, three trends are clear where the FLA is leading the way for the broader field of business and human rights.

In a globalized world, these problems are simply too broad and too difficult for any one entity to address them in isolation.

The first is that in increasing numbers and across a great diversity of industries, companies now recognize the need to address issues of human rights in their core business operations. Smart companies appreciate that addressing human rights challenges is not only the right thing to do, but also it increases their competitiveness by helping them manage risk, create markets, and meet the expectations of consumers, investors and employees. Especially with the UN Human Rights Council's unanimous adoption of the UN Guiding Principles on Business and Human Rights in 2011, it is firmly established that business has a responsibility to respect human rights. But in many sectors, it is far from clear what the principles mean in practice. This is where the very practical and operational nature of the FLA over many years puts its members ahead of the curve, and why it is so important to draw lessons from the FLA's experience for industries

beyond apparel and footwear, as the FLA itself has begun to do.

The second broad trend is the need for clear standards and means of evaluation. Successful companies value clarity across their operations, and the means and metrics to evaluate whether they are meeting their goals. The field of business and human rights is no different. Companies need to know by what standard they are being measured and how they can reasonably determine if they are meeting that standard. Measuring respect for human rights is much more challenging than, say, measuring greenhouse gas emissions. But the FLA shows that it can and is being done - its monitoring and assessment program that prioritizes sustainable compliance with labor standards is now a decade old. Other industries should rise to the challenge of measuring human rights performance in ways that drive lasting solutions to the challenges unique to their industries.

Finally, the experience of the last 20 years makes clear that no company can do it alone as it confronts human rights challenges. In a globalized world, these problems are simply too broad and too difficult for any one entity to address them in isolation. It will take some combination of governments, companies (both buyers and suppliers), investors, NGOs, academics, intergovernmental organizations and a range of other public actors working together to help all of us define and apply the rules of the road when it comes to business and human rights. The FLA's multi-stakeholder approach is not the only way, but it is an important model for others to emulate. Companies, universities, and civil society organizations that have decided to participate in the FLA have demonstrated the kind of leadership that is helping to shine a light on that path forward. This report tells their important story.

Message from the President

By FLA President & CEO Auret van Heerden



FLA President and CEO, Auret van Heerden, addresses students at the 2012 Net Impact Conference in Baltimore, Maryland.

This summer I announced my intention to step down as President and CEO of the Fair Labor Association after 12 years with the organization. In that time, I have seen the dialogue regarding business and human rights evolve in many ways and stagnate in others.

When I organized the first audits of factories supplying FLA affiliated companies back in 2001, there were less than ten brands willing to acknowledge that social accountability meant implementing a code of conduct throughout their entire supply chain and then submitting to independent external monitoring to verify respect of the code standards. The debate was still dominated by companies who were not willing to open up to independent, let alone transparent, scrutiny.

Ten years later it is hard to find a brand that does not have a code of conduct that it monitors in some way. This trend represents a tremendous shift from where things stood a decade ago: companies know they cannot be in business only for the money. They cannot afford to ignore social and environmental risks, and do so at their own peril.

While more businesses today accept that they must operate in a manner that respects people and the planet, the implementation of social responsibility programs has been uneven. The difference between truly responsible companies and those who are just going through the motions lies in the way they express that respect for human beings and the environment.

Essentially, true commitment boils down to integration and engagement: Has the company succeeded in integrating their code standards into the everyday work of buying or making product? Do they engage with suppliers to make improvements, or do they keep supply chain issues at arms-length? Would the brands' buyers or quality controllers visiting farms or factories recognize a human rights abuse,

and would they know what to do about it? Further, does the brand engage with local civil society organizations and trade unions to train workers; with governments to reform and properly enforce labor laws; and with consumers to promote ethical choices at the cash register?

FLA's company and university affiliates are demonstrating that they are truly committed to integrating respect for workers throughout their supply chains and actively engaging all stakeholders in the process. FLA's methodology helps companies and universities embed these elements in their social responsibility programs and then monitors and reports on their impact. After 15 years of debate about how companies should meet their social obligations, however, FLA remains the only multi-stakeholder initiative where all the components essential to real change are in place. Companies have agreed to subject their supply chains to independent monitoring; remediate any non-compliances; publish the results of these efforts; and engage with local stakeholders.

I am very proud that FLA has broadened the focus of its assessments to include the entire supply chain - from the harvesting of raw materials to recycling a product at the end of its use. Brands cannot ensure consumers that a product is socially responsible if standards are only being implemented selectively (for example, only at the factory level). Expanding the scope to include the entire supply chain will, however, expose issues that go well beyond the resources of any one company. In order to address these issues, we will

FLA's company and university affiliates are demonstrating that they are truly committed to integrating respect for workers throughout their supply chains and actively engaging all stakeholders in the process.

have to rely on multi-stakeholder action. FLA will continue to fill this role in the years and decades ahead as the organization drives change as a convener, innovator, and independent monitor.

I know that FLA will continue to provide leadership in developing the tools and techniques needed to create more sustainable supply chains. I am hopeful that the vision all human rights advocates share for the future - a future where the rights of workers are protected from the designer's drawing board to the consumer's cupboard - will one day become a reality.

2012 Moving Beyond Code Compliance to Find Lasting Solutions

In 2012, the Board of Directors approved the affiliation of eight organizations as Participating Companies and six as Participating Suppliers.

FLA's work in 2012 focused on deepening its analyses of global supply chains and expanding its impact across other sectors using lessons learned in the apparel and footwear industries. FLA's university and company affiliates, along with civil society partners, used their buying power to initiate and catalyze large-scale change, helping to raise awareness of labor rights issues among consumers.

Expanding FLA's impact. By applying lessons learned over the past decade to improve its programs and tailor solutions for the electronics and agriculture sectors, FLA and its partners are helping to improve conditions for even more workers around the world. Read more on pages 10 - 17.

Promoting corporate accountability through monitoring and transparency. Using FLA's new Sustainable Compliance methodology (SCI), FLA assessors conducted 83 independent external assessments in 2012 to identify the root causes of noncompliance and provide recommendations on sustainable solutions to prevent risks and Code violations in the future. FLA also conducted 39 worker perception surveys to gain unfiltered input from workers. Read more on pages 18 - 27.

Addressing egregious workers' rights violations through Third Party Complaints and investigations. FLA helped resolve complaints around the world by bringing local trade unions and civil society organizations to the table with companies and factory management to address issues related to freedom of association, hours of work, harassment, and health and safety. Read more on pages 28 - 31.

Providing university affiliates with information and tools to hold licensees to high standards. FLA empowered its university affiliates to improve conditions for workers producing collegiate merchandise by providing updates on licensee compliance and working with licensees to improve



A worker sews a garment in China.

their compliance systems. FLA's University Advisory Council - which is made up of a representative from each of the nearly 200 universities engaged with FLA - participated in dozens of in-person and virtual events, and voted to create a committee of students to provide input on issues affecting workers. Read more on page 32.

Engaging in strategic special projects and bringing stakeholders together to build expertise, pilot innovative tools and maximize impact. FLA continued working with affiliates and outside partners around the world to conduct research and seek new ways to improve conditions for workers in other sectors. In addition, FLA's Global Forum for Sustainable Supply Chains brought stakeholders together to explore solutions to some of the most complicated problems permeating brand supply chains. Read more on pages 34 - 39.

2012 FLA FACTORY ASSESSMENTS AND WORKERS IMPACTED

Number of factory assessments (including shared facilities): **133**

Estimated number of workers in factories that received FLA audits: **206,779**

Total number of farms visited: **163**

Number of farm workers interviewed during visits: **282**



Workers loading and cutting sugarcane in India.

Leadership in Sustainable Working Conditions

FLA's Compliance Program Accreditation

FLA accredits Participating Companies and Participating Suppliers that are in substantial compliance with FLA standards.

There is no perfect factory or brand – which is why FLA does not certify individual facilities or grant any company a “seal of approval.” However, FLA does “accredit” Participating Companies and Participating Suppliers that are in substantial compliance with FLA standards and have effective systems in place to proactively identify and address labor code violations and risks. In addition to its factory-level assessments, FLA also evaluates companies at the headquarter level to determine whether appropriate systems and practices are in place to support workers’ rights throughout the supply chain. The compliance programs of the following FLA-affiliated companies were accredited as of 2012:

- **adidas Group**
- **Liz Claiborne (Fifth & Pacific)**
- **Nike**
- **PVH Corp.**
- **Gildan**
- **New Era Cap**
- **Puma**
- **H&M China**
- **Patagonia**
- **Zephyr Graf-X**
- **GFSI**
- **Hanesbrands**
- **Outdoor Cap**
- **Russell Brands**
- **Knights Apparel**
- **47 Brand**
- **Top of the World**
- **SanMar**

WHAT AFFILIATES ARE SAYING ABOUT FLA'S ACCREDITATION PROGRAM

“Since the D’Angelo twins came to the United States to start a new life in 1947, our company has prided itself on the value of hard work, quality products and rewards for a job well done. As a small company, we operated in an informal way. Today, while our values remain the same, we need to be more organized about the way we do things, including making sure that factories protect workers. The FLA helps show us the way. By working to meet our FLA obligations, we have improved our understanding of factory workplace conditions and the steps we need to take to improve them.”

47 Brand
Accredited in 2012

“Helped significantly by our partnership with the FLA, we are continually reminded of the need for investments in people and systems to proactively address labor and compliance risks across our global supply chain. Global pricing pressures have required companies and suppliers to make critical and difficult decisions over the past few years, but our persistence and investments in people and compliance systems will undoubtedly allow us to better manage these risks. These investments and our improved ability to identify responsible suppliers will undoubtedly ensure the long-term success of our company and our brands - as well as those of our customers.”

SanMar Corp.
Accredited in 2012



Sewing room at a Top of the World supplier in Vietnam.

“Building a successful Corporate Social Responsibility program has been a challenging but yet rewarding journey. Top of the World joined the Fair Labor Association as a Category C licensee in April of 2002. We were asked by the FLA to assist in piloting the application process for Category C affiliates moving to the Participating Company level while we were making this transition ourselves. TOW was accepted as a Category A licensee in June 2004 and began our 3-year implementation plan. We have established a consistent meeting rhythm with our suppliers that has greatly contributed to our successes on this front. These relationships played key roles along the way in establishing a strong compliance foundation at the factory level. FLA approved TOW for Accreditation in the spring of 2012 after more than two years working through the rigorous accreditation process. We are very grateful for reaching this compliance milestone and there will be many more to come as this is an on-going process. Maintaining this level of commitment takes the continued efforts of our entire Leadership Team.”

Top of the World
Accredited in 2012

You Love Your Tablet – Do You Know Who Made it?

How FLA's work with one brand is leading to improvements for workers across the electronics sector

The Foxconn assessment was the largest and most comprehensive of its kind, with FLA assessors logging more than 3,000 staff hours inside the factories.

What does Apple have in common with most other major electronics brands?

They source components for their products from the same supplier: Foxconn.

Foxconn Technology Group is the largest private employer in China and the third largest in the world. Consequently, when the company makes a major change affecting its 1.2 million workers globally, others in the electronics sector – from suppliers to retailers – watch closely, and soon follow suit.

When Apple became the first electronics company to join FLA in January of 2012, the company signaled to others in the electronics and technology sectors that it was time for change. After years of growing consumer interest and activism focused on the treatment of workers making clothing and footwear, the microscope had turned to another popular series of consumer products: MP3 players, personal computers and handheld phones.

This year wasn't just a milestone for innovative electronics products with their touch-screens and user-friendly apps – it was also a landmark year for workers' rights.

Shortly after Apple joined the organization, FLA launched an independent assessment of three Foxconn facilities in Guanlan, Longhua and Chengdu (Figure 1). The assessment was the largest and most comprehensive of its kind, with FLA assessors logging more than 3,000 staff hours inside the factories. They evaluated conditions using FLA's Sustainable Compliance methodology (SCI), and the assessment included visual observations; a review of policies, procedures and documentation (payroll and time records, production schedules, employee records); and interviews with hundreds of Foxconn workers and managers both on- and off-site. FLA also conducted an anonymous survey of more than 35,000

A PLAN IN PLACE

The action plan developed by Apple and Foxconn following FLA's investigation will improve conditions not only for the 178,310 workers employed at these three facilities, but for the more than 1 million workers employed by Foxconn globally.

The average age of workers at these three factories is 23, with a ratio of 2:1 of male to female workers. Almost all of the workers (99 percent) at Guanlan and Longhua are migrant workers from different regions in China.



Figure 1

randomly selected Foxconn workers to obtain their candid, unfiltered input. The workers gave FLA assessors insight into their daily lives, voicing concerns and providing more feedback than any of them had ever been asked to give before.

FLA found hundreds of issues during the assessment, including:

- Within the previous 12 months, all three factories had exceeded both the FLA Code standard of 60 hours per week (regular plus overtime) and the Chinese legal limits of 40 hours per week and 36 hours maximum overtime per month.
- Periods in which some employees worked more than seven days in a row without the required 24 hours off.
- Challenges in providing interns with protections necessary for a productive, healthy and safe educational experience.

- Disproportionate representation on Foxconn union by management, preventing true worker representation.
- Numerous health and safety risks and a general perception among workers of unsafe conditions.



Worker assembles Apple products at Foxconn facility.

STATUS OF REMEDIAL ACTION ITEMS AT THREE FOXCONN FACTORIES SUPPLYING APPLE, AS OF DECEMBER 31, 2012

	GUANLAN	LONGHUA	CHENGDU	TOTAL
Total number of action items due to be completed by July 1, 2013	119	113	128	360
Percent	33.1	31.4	35.6	100
Number of action items completed and verified by FLA by June 30, 2012	100	85	99	284
Percent of action items completed and verified by FLA by June 30, 2012	84	75.2	77.3	78.9
Number of actions due to be completed between July 1, 2012 and July 1, 2013	19	28	29	76
Number of actions due to be completed between June 1, 2012 and July 1, 2013 completed and verified by the FLA by December 31, 2012	17	26	27	70
Percent of action items completed and verified by FLA by December 31, 2012	98.3	98.2	98.4	98.3

Table 1

More important than identifying the issues, however, were the changes FLA recommended to Apple and Foxconn – changes that the companies agreed to include in their action plan, opting for an aggressive implementation schedule.

By June 30, 2012, just four months after FLA’s assessment, Foxconn had implemented 284 (78.9 percent) of the action items across the facilities. FLA assessors returned to each factory in the summer to verify that progress had been made, finding that significant steps had been taken to bring the factories into full compliance with Chinese legal limits on working hours. Foxconn had also made many physical changes to improve worker health and safety, and was on track to achieve the other action items due through July 2013. Further, Foxconn helped to extend unemployment insurance coverage for migrant workers in Shenzhen by advocating for legislation that would allow them to access the unemployment insurance scheme. This change has implications not only for those employed at Foxconn, but for all other migrant workers in Shenzhen.

While significant progress had been made by Apple and Foxconn by the end of 2012, some of the most important action items are slated for implementation in 2013. FLA will conduct additional verification visits in 2013 to track progress at the Foxconn facilities. Visit www.fairlabor.org/affiliate/apple for the latest reports.



Foxconn workers assemble for shift.



Behind the Wrapper: Are Children Working to Make the Chocolate You Buy?

Learn how FLA is working with the world's largest food company and a major cocoa supplier to help eradicate child labor in Côte d'Ivoire

Nestlé developed a robust action plan to meet FLA's recommendations, with milestones spanning from 2012 – 2016, and began implementing its action plan right away.

Forty percent of the world's cocoa is grown in the West African nation of Côte d'Ivoire (Ivory Coast), where thousands of children are working in sometimes deplorable conditions to make sure people around the world can get their favorite chocolate products. Most of the leading and best-known chocolate brands use cocoa from Ivory Coast to make their products. Fortunately, not all of these companies are choosing to ignore the plight of children working on contracted farms.

Before joining FLA in February 2012, Nestlé – the world's largest food company – began working with the organization on a pilot project to assess its cocoa supply chain in Ivory Coast and to evaluate the root causes of child labor in the region. The cocoa supply chain is incredibly complex, and risks can arise at any stage of the production process (Figure 2).

FLA conducted a wide-ranging assessment of Nestlé's cocoa supply chain from its corporate headquarters to the cocoa farms, commissioning a team of 20 local and international



Three FLA assessment teams conducted the cocoa supply chain exercise in Côte d'Ivoire.



Workers tend to cocoa plants at Côte d'Ivoire nursery.

experts who visited 87 farms and interviewed a representative sample of 466 men, women and children. The assessment team consulted with a number of government institutions, civil society organizations and local associations in Ivory Coast, and visited seven Nestlé suppliers representing 79 percent of the volume of beans and cocoa products purchased by Nestlé from Ivory Coast in 2011.

FLA's assessment found serious violations of Nestlé's own supplier code, which existed in many instances because there are no local laws and regulations in place to provide fair and safe working conditions.

Following the assessment, FLA developed a set of comprehensive recommendations that targeted the root causes of the labor and human rights abuses reported by the assessment team, pointing out steps that should be taken not only by Nestlé, but also by farmers, cooperatives, the government of Ivory Coast and other companies that source cocoa from the region.

Nestlé developed a robust action plan to meet FLA's recommendations, with milestones spanning from 2012 – 2016, and began implementing its action plan right away. The company did, however, face a significant challenge: eradicating child labor

HIGHLIGHTS FROM FLA'S FINDINGS

- Health and safety problems were rampant, with 72 percent of reported injuries resulting from workers' use of machetes.
- Discrimination due to a lack of appropriate local laws and enforcement systems, and local cultural norms.
- Nestlé's labor code limits hours of work to 60 hours per week, including overtime, but workers – especially unpaid family members – often work excessive hours during the harvest.
- Compensation rarely provides for all of sharecroppers' and workers' basic needs, and there is little opportunity for workers to organize.
- Child labor remains the primary cause for concern; even when children do have alternatives to working on cocoa farms and do attend school, they often continue to work in unsafe conditions on farms during school breaks.

and addressing complex cultural and legal issues would be nearly impossible without support from the other major brands and suppliers operating in Ivory Coast.



Workers drying cocoa beans in the sun.

HOW DID FLA DO IT?

Supply chains are incredibly complex. So complex, in fact, that companies often are unable to trace a product all the way back from the store shelves to where the seed was planted. In order to ensure a supply chain is sustainable and free from labor and human rights violations, companies must trace products to their point of origin. FLA uses a “product mapping” methodology to make this possible. See a sketch of the product map for cocoa (right).

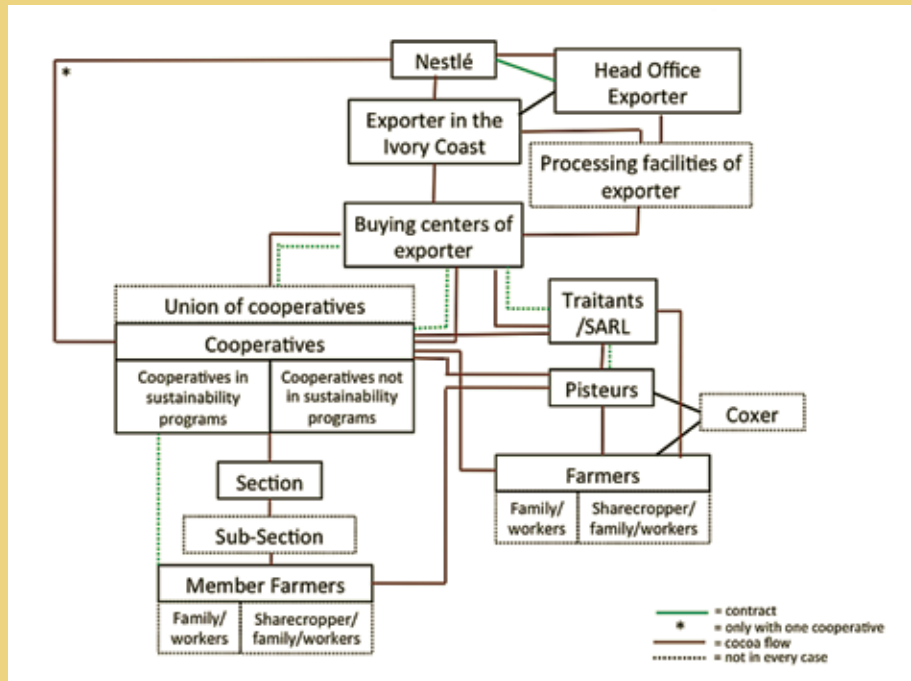


Figure 2

In October Nestlé gained a powerful ally when one of its suppliers, Olam International – which sources and supplies 20 agricultural commodities to more than 11,000 customers – agreed to bring its hazelnut and cocoa supply chains into the Fair Labor Association. Given how essential educating suppliers and farmers would be to the overall success of Nestlé’s efforts in Ivory Coast, Olam’s commitment to upholding fair labor standards throughout its cocoa supply chain was a critical development.

With their combined influence and involvement on tens of thousands of farms in Ivory Coast, Olam and Nestlé’s efforts to improve conditions for workers will have a profound impact.

On November 26, 2012, FLA’s Global Forum for Sustainable Supply Chains and Nestlé convened a meeting with representatives from Solidaridad Côte d’Ivoire, Union

des Grandes Entreprises Industrielles de Côte d’Ivoire, Association des Femmes Productrices de Café-Cacao du Sud-Bandama, Cargill, UCDG, the World Cocoa Foundation and others to review Nestlé’s progress in implementing its Action Plan and to offer feedback and recommendations for moving forward. Read the report at www.fairlabor.org/report/nestle-stakeholder-consultation.

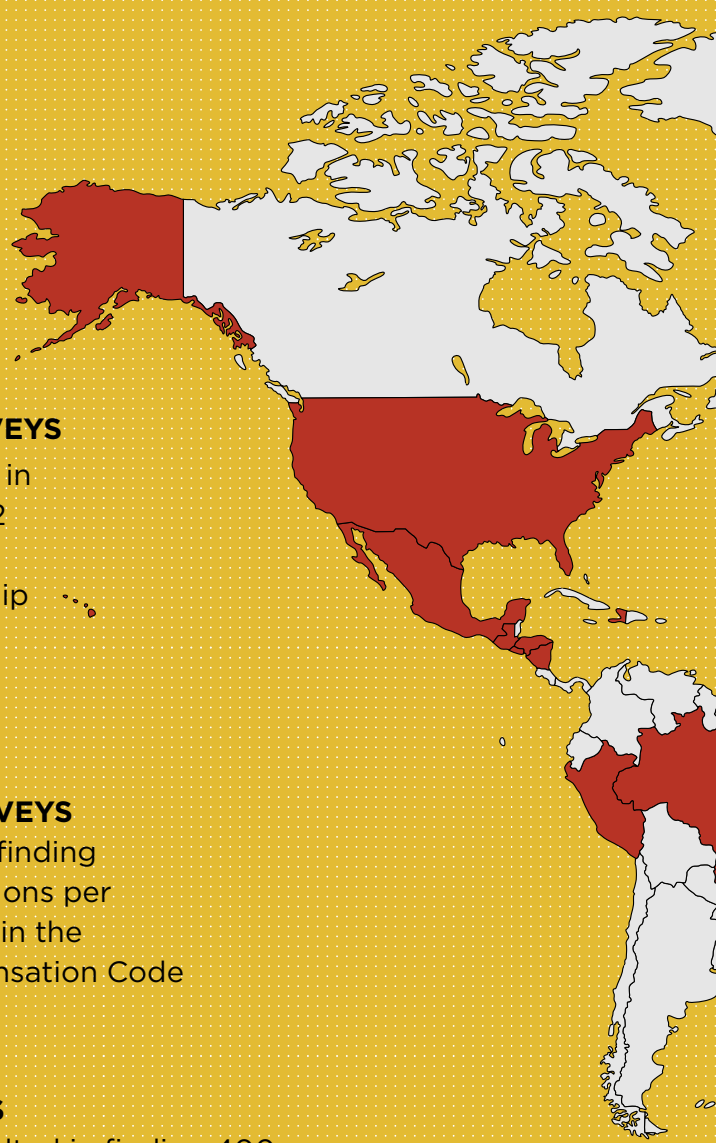


Children do their homework in a Côte d’Ivoire village.

Le Bon Cacao de Tonton Ladio



Due Diligence at a Glance



AMERICAS: 11 SCI ASSESSMENTS, 6 SCOPE* SURVEYS

The 11 assessments conducted in the Americas resulted in finding 343 violations of Code Elements, or roughly 31.2 violations per assessment. FLA assessors found at least one benchmark violation in the Employment Relationship and Discrimination Code Elements at all the factories visited in this region. Ten out of eleven factories had a Health & Safety and Hours of Work violation.

EAST ASIA: 27 SCI ASSESSMENTS, 13 SCOPE SURVEYS

The 27 assessments conducted in East Asia resulted in finding 956 violations of Code Elements, or roughly 35.4 violations per assessment. FLA assessors found at least one violation in the Health & Safety, Employment Relationship, and Compensation Code Elements at all the factories visited in this region.

EMEA: 10 SCI ASSESSMENTS, 3 SCOPE SURVEYS**

The 10 assessments conducted in the EMEA region resulted in finding 400 violations of Code Elements, or roughly 40 violations per assessment. FLA assessors found at least one violation in the Health & Safety, Employment Relationship, and Discrimination Code Elements at all the factories visited in this region.

SOUTH ASIA: 14 SCI ASSESSMENTS, 7 SCOPE SURVEYS

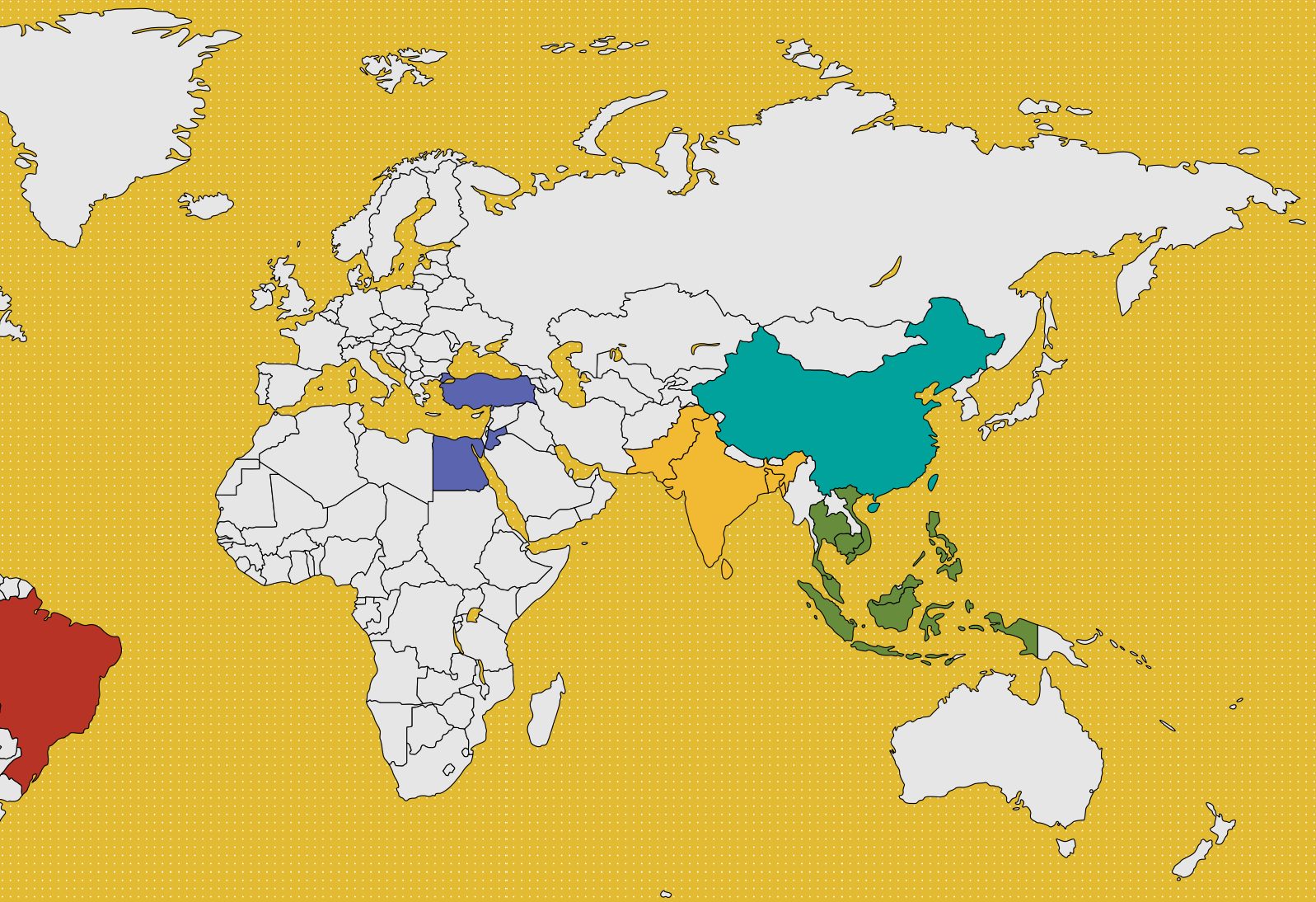
The 14 assessments conducted in South Asia resulted in finding 538 violations of Code Elements, or roughly 38.4 violations per assessment. FLA assessors found at least one violation in the Health & Safety and Employment Relationship Code Elements at all the factories visited in this region.

SOUTH EAST ASIA: 21 SCI ASSESSMENTS, 10 SCOPE SURVEYS

The 21 assessments conducted in South East Asia resulted in finding 573 violations of Code Elements, or roughly 27.3 violations per assessment. FLA assessors found at least one violation in the Health & Safety Code Element in 20 out of 21 factories visited in this region.

** SCOPE worker perception surveys provide unfiltered insight into workers' daily lives.
Read more on page 25.*

*** Europe, Middle East and Africa (EMEA).*



2012 Average Number of Noncompliances by Benchmark

	COMPENSATION	FORCED LABOR	FREEDOM OF ASSOCIATION	HARASSMENT OR ABUSE	CHILD LABOR	DISCRIMINATION	HEALTH, SAFETY & ENVIRONMENT	HOURS OF WORK	EMPLOYMENT RELATIONSHIP
Americas	3.7	0.5	0.5	1.4	0.0	1.1	7.4	3.2	13.5
East Asia	3.9	0.3	5.2	1.1	0.1	1.0	7.9	3.2	12.7
EMEA	3.9	1.1	2.7	1.5	0.6	1.5	10.1	4.0	14.6
South Asia	4.8	0.3	3.2	1.1	0.0	1.1	11.1	3.3	13.6
SE Asia	2.4	0.2	1.7	1.5	0.0	0.9	8.6	2.2	9.9

Driving Sustainable Compliance Across the Globe

Companies that join FLA commit to upholding 10 Principles of Fair Labor and Responsible Sourcing, which include instituting a Code of Conduct that meets or exceeds FLA's code.

The tragic fires that killed hundreds of workers in Bangladesh and Pakistan in 2012 underscored for many a critical lesson that FLA and its affiliates had already accepted years ago: that traditional auditing is not a solution to workers' rights violations and factory disasters. While auditing is certainly a mechanism for identifying Code violations, it serves its purpose only if the violations found during an audit are addressed and remain corrected in the future.

Over the last four years, FLA has concentrated efforts and resources on moving past factory audits to its Sustainable Compliance methodology (SCI). SCI focuses on the root causes of code violations rather than checklist audits of observable factory conditions. The methodology concentrates primarily on understanding the lifecycle of a worker's employment in a factory and all the risks embedded in that employment relationship, from hiring to termination.

The lifecycle is divided into nine "employment functions" (EFs), such as hiring and compensation. The workings of each EF are assessed by examining eight "management functions" (MF) – such as the policy, the procedure for implementing the policy, the training of the relevant staff responsible for that policy/procedure, whether it has been communicated to everyone concerned, and whether workers have been consulted or included in the process (Figure 3). Taken together, an assessment of both employment and management functions reveals the root causes of compliance violations and risks.



Figure 3

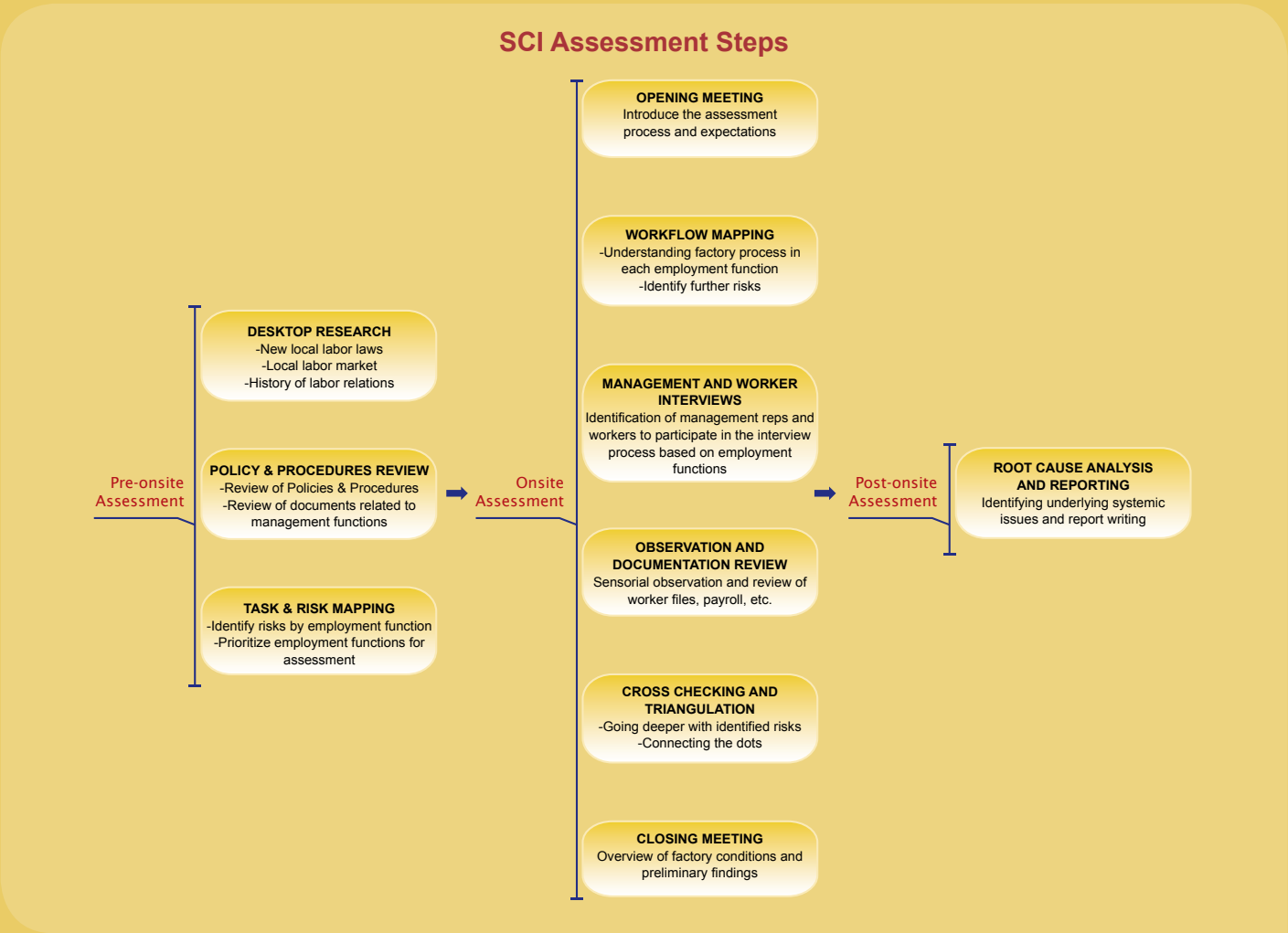


Figure 4

The essence of a sustainable compliance assessment is its broad-based evaluation of factory conditions, aiming to capture not just a snapshot but the full panorama of a factory’s operations. In addition to visual observation, records review, interviews with factory management, and analysis of the environment in which a factory operates, FLA assessors also interview workers on- and off-site.

SCI assessments consist of a number of activities undertaken by the assessment team, which are conducted prior to the visit to the workplace, during the visit, and after the visit (Figure 4).

The 2012 assessment cycle was the first to be conducted against FLA’s enhanced Workplace Code of Conduct, which was approved by the Board in 2011. The enhanced Code of Conduct strengthens protections for workers’ rights significantly by providing explicit guidelines regarding child labor and precarious forms of employment, and requiring action regarding compensation standards for workers. With its new Employment Relationship benchmarks outlining rules and conditions of employment, the FLA Code is one of the most stringent codes of conduct in the world.

MAKING FACTORY FIRE SAFETY A PRIORITY

More than 400 workers died in major apparel factory fires in Bangladesh and Pakistan in 2012 alone. A hundred years after the Triangle Shirtwaist fire forever changed the way people viewed workplace safety and led to new perspectives on fire safety measures in the United States, these horrific tragedies are unacceptable and, sadly, were most likely preventable.

As part of its ongoing efforts to provide companies and suppliers with training, tools and resources to improve conditions for workers, FLA began working with Dr. David Gold – a former firefighter and fire safety expert with the International Labor Organization – to develop short, medium and long-term strategies and tools to help factory workers and managers prevent fires and save lives.

With input from affiliates and the National Fire Protection Association, Dr. Gold is developing a set of comprehensive “competencies” that would serve as a foundation for any factory’s fire safety program. The competencies will be published in early 2013. For more information on FLA’s fire safety initiative, visit www.fairlabor.org/firesafety.

INDEPENDENT EXTERNAL ASSESSMENTS

Over the past decade, FLA has time and time again proved that change is possible in factories when corporate and university buyers are committed to the ethical treatment of the workers who make their products.

Companies that join FLA commit to upholding 10 Principles of Fair Labor and Responsible Sourcing, which include instituting a Code of Conduct that meets or exceeds FLA’s code; monitoring adherence across 100 percent of their own supply chains; and submitting their supply chains to verification visits by FLA assessors.

FLA’s standards are based on global conventions of the International Labour Organization (ILO), and are in substantial alignment with the U.N. Guiding Principles on Business and Human Rights. To verify that its Code of Conduct is being implemented and that workers are respected and protected in these facilities, FLA monitors approximately 5 percent of affiliates’ suppliers.

Using its SCI methodology, in 2012 FLA conducted 83 assessments in 23 countries, with 2,810 instances of noncompliance recorded. FLA also conducted 10 assessments in the agriculture sector, visiting 163 farms in Brazil, Argentina and India. In addition, FLA conducted 39 worker perception (SCOPE) surveys at suppliers across 13 countries in five regions. The results of all factory assessments are posted at www.fairlabor.org/transparency.

Evaluating Management Systems

Following an FLA assessment, a factory receives scores indicating its performance related to each specific employment and management function. A score of 100 percent indicates flawless operation of an employment or management function. Conversely, a score of less than 100 percent indicates there is room for improvement (Figures 5,6).

2012 Average Factory Employment Function Scores

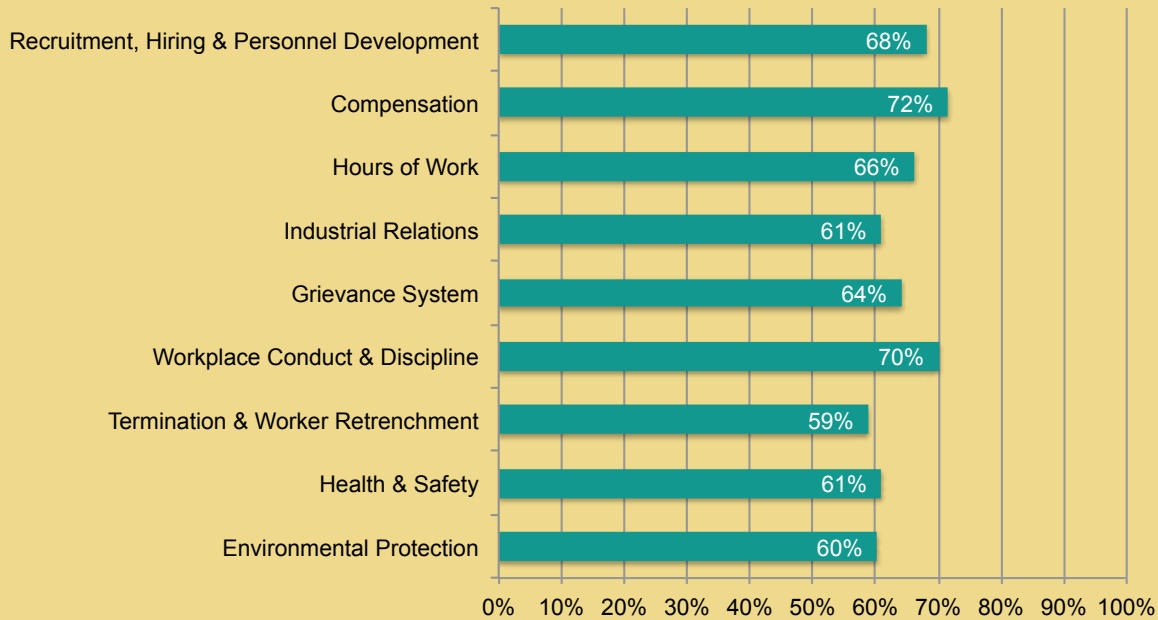


Figure 5

2012 Average Factory Management Function Scores

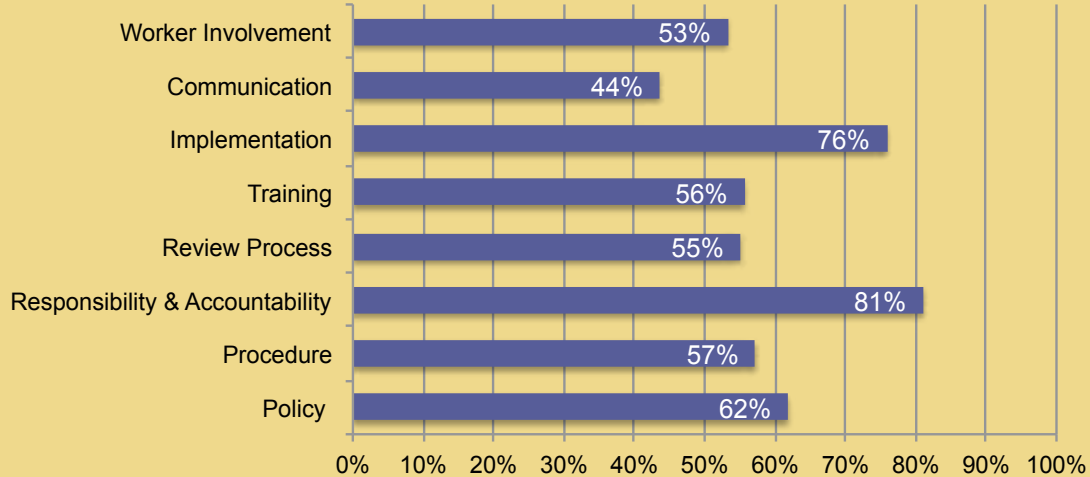


Figure 6

In 2012, factories had the highest average score related to the Compensation employment function (72 percent), and the lowest average score related to the Termination and Worker Retrenchment function (59 percent).

With regard to management functions, factories scored highest on average in the areas of Responsibility and Accountability (81 percent), and lowest on Communication (44 percent) and Worker Involvement (53 percent).

2012 Regional Code Violations in Comparison

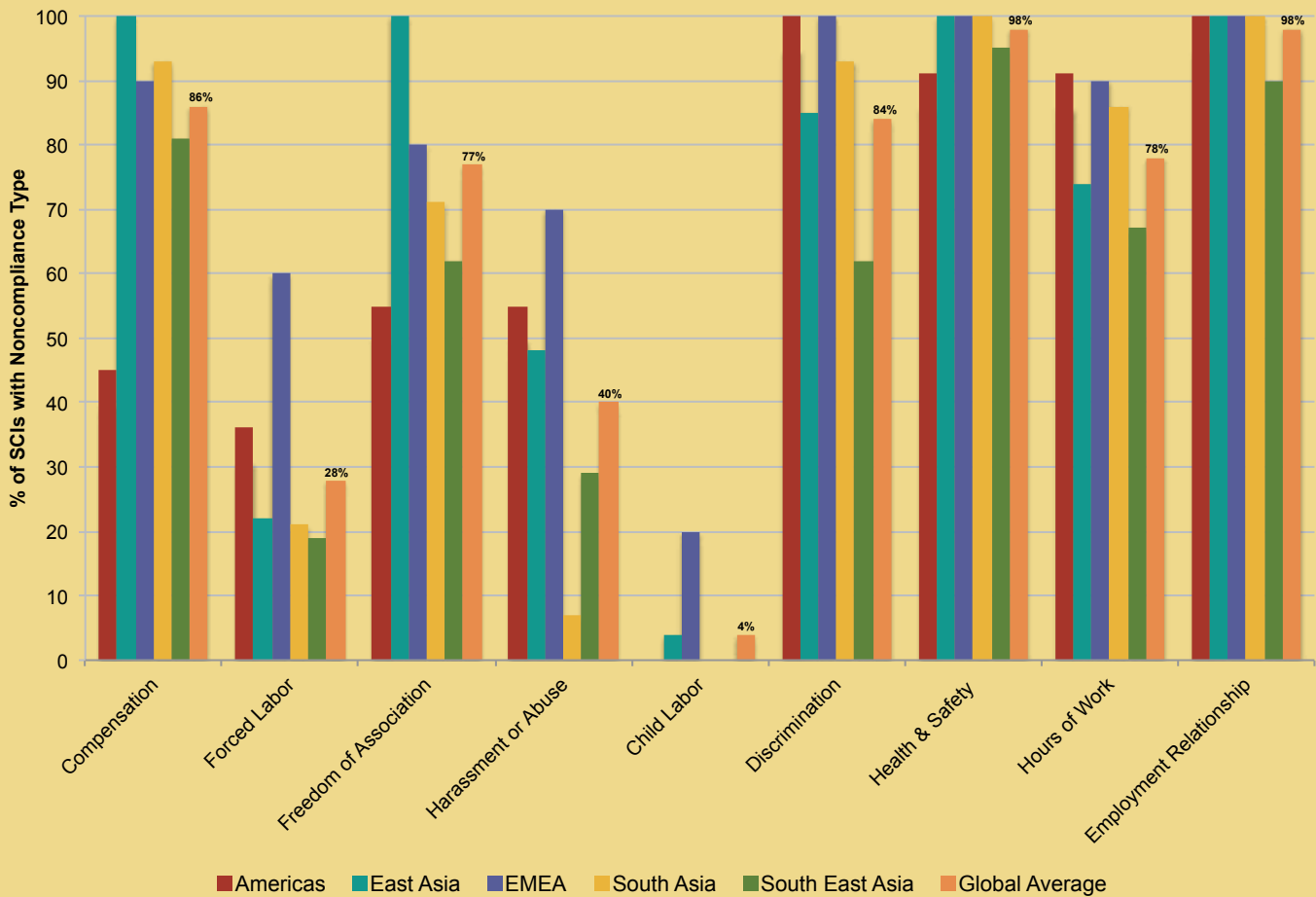


Figure 7

Addressing Factory Compliance with the FLA Code of Conduct

During their analysis of management systems at a factory, FLA assessors identify absent or problematic employment and management functions that have led to violations of the FLA Workplace Code of Conduct and Compliance Benchmarks. Assessors also highlight risks that, if left unaddressed, could lead to violations in the future. See the sample finding on page 27 for an illustration of this process.

Figure 7 shows the distribution of noncompliances by code element, with each bar representing the percentage of assessments where at least one benchmark was found to be breached for a given code element. For example, at least one benchmark in the Health and Safety and Employment Relationship code elements was breached in 98 percent of the factories assessed in 2012. Noncompliances in factories were also high for Compensation, Discrimination, Hours of Work, and Freedom of Association.

Across all five regions, the highest percentages of noncompliances were related to new Employment Relationship code benchmarks. The lowest number of noncompliances were found related to the Child Labor code benchmarks; no violations of this benchmark were found in the Americas, South Asia or Southeast Asia. In East Asia and EMEA, three and six procedural noncompliances were identified related to the Child Labor benchmark, respectively. See page 19 for details on noncompliances by benchmark.

While it is important to note when violations of the FLA Code occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations are found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Worker Perception Surveys

Because worker input is essential when evaluating factory conditions, FLA conducts large-scale representative, anonymous worker surveys. These worker perception surveys (SCOPEs) obtain quantitative information regarding workers' perspectives on specific labor issues. The surveys are adapted to the factory's circumstances and to the literacy level of workers, and provide unfiltered insight into the issues that matter most to them.

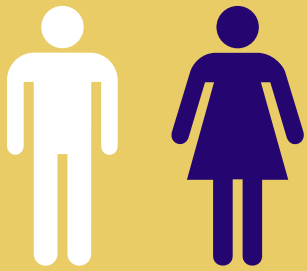
FLA SCOPE surveys conducted in 2012 gathered information from 4,670 workers, who provided their opinions on labor standards in their workplaces - from compensation to hours of work and health and safety.

Each SCOPE has a Management Self-Assessment counterpart, which helps to compare and contrast the workers' perspective with that of the management to gain a fuller picture of factory dynamics. SCOPEs examine the subject area from multiple dimensions, which are scored on a scale of 1 to 5. A score below 3 indicates substantive issues, a score between 3 and 4 indicates a somewhat satisfactory performance, and a score above 4 indicates good performance (Table 2).

Overall, workers gave high scores to Recruitment, Hiring & Personnel Development and Workplace Conduct. In contrast, Industrial Relations and Grievance System received low scores, indicating that there is ample room for improvement in these areas.

SCOPE WORKER SURVEY RESULTS	
Recruitment, Hiring and Personnel Development	4.01
Compensation	3.60
Hours of Work	3.65
Industrial Relations	2.69
Workplace Conduct	3.80
Grievance System	2.61
Health and Safety	3.97
Environmental Protection	3.74
Termination and Retrenchment	3.67

Table 2



The average age of the workers participating in SCOPE surveys was 30.7 years old, and 70.5 percent of the workers were women. Fifty-two percent of the workers surveyed were migrants, and 25 percent of the workers had completed high school or obtained higher than a high school education.



According to the 2012 SCOPE data, the average monthly turnover rate at the factories surveyed was 5.6 percent between January and October. In fact, nearly 9 percent of surveyed workers indicated their intention to terminate their employment within the two months following the survey; 11.6 percent indicated they planned to leave the factory within the next two years.

Workers in Bangladesh reported the highest average weekly working hours of 55.9, while workers in El Salvador reported 40.5 hours. According to data provided by workers, the highest average monthly wage was earned in Turkey (\$537) and China (\$515). SCOPE data shows that workers earn the least in India (\$96) and Bangladesh (\$79).

FLA affiliates are required to work with supplier factories following FLA assessments to develop plans to address all noncompliances and risks, to conduct follow-up visits to ensure the plan is implemented, and to provide status reports to FLA. Action plans are published along with FLA's assessment reports at www.fairlabor.org/transparency.



Workers completing surveys using tablets.

Sample SCI Finding

FLA’s Sustainable Compliance methodology identifies root causes of noncompliance, along with immediate risks and code violations. This is an example from a 2012 assessment in Pakistan. Reports from all FLA assessments are published at www.fairlabor.org/transparency.

Employment/Management Function	Health and Safety
Finding Title	Fire Safety
Discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers’ basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws.	<p>Immediate Action Required</p> <p>Details/Explanation: It was observed that there are no special precautions for the emergency evacuation requirements of special-category workers (e.g., disabled workers); some of them work at workstations located in places where, in case of an emergency, their evacuation could be hindered.</p>
Applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.	<p>Local Law or Code Requirement: Pakistan Industrial Relations Ordinance 2002 Article: 24; FLA Workplace Code (Employment Relationship benchmark ER.14; Health, Safety and Environment benchmark HSE.5)</p>
A systemic failure within an employment or management function, resulting in a “finding.” Findings are symptoms of underlying problems or “root causes.”	<p>Root Causes:</p> <ol style="list-style-type: none"> 1. Management’s lack of awareness on the special needs of special categories of workers and FLA’s Code and Benchmarks; 2. General Health and Safety Policy does not cover all necessary elements regarding the protection of special categories of workers, such as juvenile/elderly workers, pregnant/lactating workers, trainees/apprentices/interns, and employees with disabilities; 3. There is no active worker representation and participation on ongoing health and safety efforts; 4. No effective system for monitoring or implementing the safety guidelines regarding special categories of workers on a periodic basis; 5. This issue has never been brought to the attention of factory management during previous external audits; 6. Risk Analysis report does not cover all hazards and risks in the factory, including those concerning special categories of workers.

Pushing for Resolution to Pressing Labor Issues Around the World

FLA's Third Party Complaints and investigations serve as safeguards for workers when other measures fail

HUEY CHUEN CO. LTD IN CAMBODIA

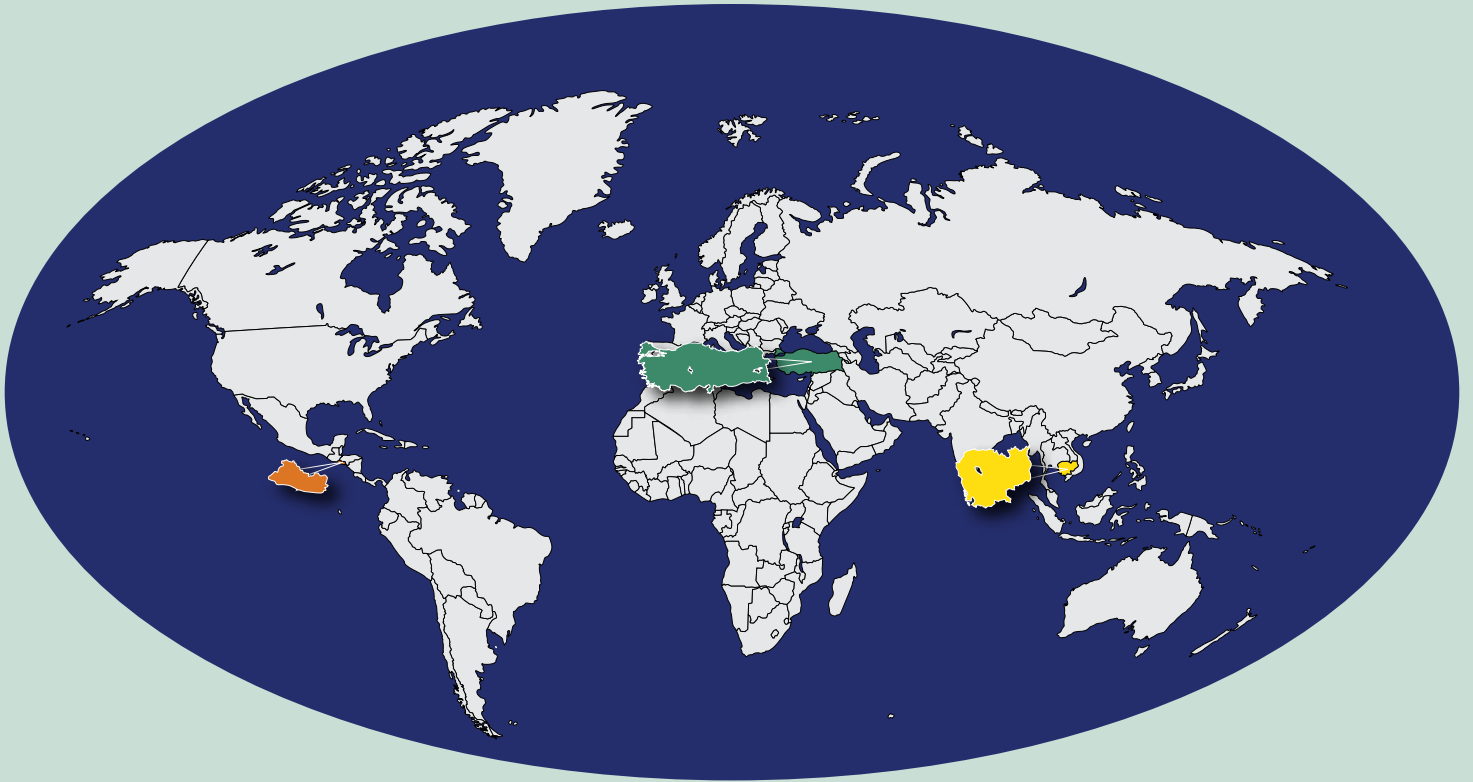
An FLA investigation in 2011 confirmed that excessive overtime and improper chemical usage may have caused 2,000 workers to faint at the Huey Chuen factory in Cambodia. Following the investigation, PUMA – an FLA affiliate sourcing from Huey Chuen – worked with factory management to develop a plan to address these issues and several others at the facility. FLA commissioned an independent health and safety expert to evaluate progress at Huey Chuen in February 2012.

The assessor verified that many of the issues identified in the original investigation had been addressed, including improved chemical storage and handling procedures, and controls on overtime hours. However, the assessor observed additional issues requiring attention such as electrical safety, health, and use of personal protective equipment.

Taking into account the new issues observed by the independent assessor, FLA urged PUMA and Huey Chuen to revise the original corrective action plan to reflect new issues; prioritize and address the issues identified as extreme risk and high risk; and consider the recommended remediation steps outlined in the verification report. The full reports are available at www.fairlabor.org/report/huey-chuen-co-ltd-factory-cambodia.

STYLE AVENUE FACTORY IN EL SALVADOR

In June 2012, FLA commissioned the Center for Reflection, Education and Action (CREA) to verify the progress of remediation at the Style Avenue factory in El Salvador related to issues including freedom of association, hours of work, and health and safety. The factory had developed the original action plan with support from collegiate licensees Outerstuff



and College Kids following an FLA-commissioned investigation in October 2011. CREA verified that many of the remediation items had been implemented, but noted that several issues required further attention. See CREA's recommendations and the assessors' report at www.fairlabor.org/report/style-avenue.

In the coming year, FLA will continue supporting the collaborative process between FLA-affiliated sourcing companies College Kids and Outerstuff (which transitioned from a Category B Licensee to a Participating Company in 2012), Style Avenue management, and the union Sindicato de Trabajadoras de la Industria del Vestir.

APPLE TREE IN EL SALVADOR

On April 21 and July 25, 2012, FLA met with leaders of the union Sindicato de la Industria Textil y Actividades Conexas y Similares (SITS) to discuss a report filed by the factory's Ombudsman. The Ombudsman - a position created by Russell Brands/Fruit of the Loom and M.J. Soffe on FLA's recommendation - reported at these meetings on progress at the factory since a 2010 FLA-commissioned investigation into alleged violations regarding freedom of association and harassment.

SITS union leaders, who filed the original Third Party Complaint with FLA in 2010, stated that they have seen improvements in working conditions since the investigation. They agreed with the Ombudsman's report that there were improvements in many areas, but disagreed with his assessment of progress in the areas of freedom of association and anti-union discrimination.

FLA acknowledged that significant progress had been made, but called on Russell Brands, M.J. Soffe and Apple Tree management to put greater effort into creating a robust communication channel between management and both unions operating in the factory. Visit www.fairlabor.org/report/apple-tree-sa-de-cv-el-salvador for more information.

F&D, S.A. DE C.V. IN EL SALVADOR

An interim report by FLA in June 2011 described remediation actions taken by FLA-affiliated company Hanesbrands at the F&D factory in San Salvador following allegations of violations related to wages and benefits, overtime compensation, and freedom of association. A second FLA-commissioned verification in February 2012 by Grupo de Monitoreo Independiente de El Salvador (GMIES) indicated that Hanesbrands and F&D are making progress to address workplace noncompliance issues, but that the factory is still lacking a clear disciplinary system.

The inconsistent implementation of a functioning disciplinary system continues to be a significant issue at the factory; it has led to additional noncompliances and has further aggravated existing issues. FLA called on Hanesbrands and F&D to develop a disciplinary system and implement the recommendations outlined in the GMIES verification report. Read more at www.fairlabor.org/report/fd-sa-de-cv-el-salvador.

OLOCUILTA APPAREL (FORMERLY OCEAN SKY APPAREL) IN EL SALVADOR

On January 1, 2012, in the midst of ongoing remediation of noncompliance issues at the factory, Ocean Sky Apparel was sold by parent company Ocean Sky International – an FLA Participating Supplier – to a group of investors who changed the legal name of the factory to Olocuilta Apparel, S.A. de C.V. On February 15, the Salvadoran women's organization Mujeres Transformando (MT) sent a letter to the FLA and other stakeholders indicating concerns regarding the sale of Ocean Sky Apparel and the lack of transparency around the process.

FLA commissioned an independent follow-up visit to the factory by the Commission for the Verification of Corporate Codes of Conduct (COVERCO) on February 23 to verify the progress regarding the original implementation plan, which had been agreed to by Ocean Sky Apparel. COVERCO reported that factory management had successfully addressed most of the original findings. Olocuilta also developed its own remediation plan to address issues requiring additional attention, such as residual verbal harassment by a line supervisor; functioning of the safety and environment committee; and worker awareness of the Code of Conduct.

Collaborative meetings between Olocuilta management and Mujeres Transformando resumed on June 15, where the parties discussed training opportunities and other forms of collaboration for the future. Although Olocuilta is no longer affiliated with FLA Participating Supplier Ocean Sky International, factory management has indicated that they remain committed to the remediation process. Learn more at www.fairlabor.org/report/ocean-sky-apparel-factory-el-salvador.

HEY TEKSTIL SANAYI VE TICARET A.S. IN TURKEY

On June 24, 2012, the FLA Board of Directors placed Participating Supplier Hey Tekstil on Special Review – the most severe sanction reserved for affiliates in violation of FLA’s Code of Conduct. The vote came following the permanent shutdown of six factories and suspension of operations at a seventh, which left more than 2,000 workers without the 4.7 million euro in back wages and unpaid severance benefits they were legally owed.

In placing Hey Tekstil on Special Review, the FLA Board called on the company to meet wage and severance obligations owed to all its workers and make good faith efforts to reopen the factory where operations were suspended. Hey Tekstil’s affiliation as a Participating Supplier was terminated by the FLA Board on December 31, 2012.

OZAK TEKSTIL KONFEKSIYON SANAYI VE TICARET A.S. IN TURKEY

The FLA Board of Directors provisionally approved the application of Ozak Tekstil to become an FLA Participating Supplier on June 14, 2011, contingent on the fulfillment of several administrative requirements. Because Ozak Tekstil failed to complete those requirements, however, the company never became affiliated with FLA.

During the provisional period, FLA had commissioned a team of independent experts to examine allegations of freedom of association violations at Ozak factories. FLA published a detailed report and a series of recommendations following the assessment, but Ozak was unresponsive. Visit www.fairlabor.org/report/ozak-tekstil-turkey to review the assessment report. There were also several developments following FLA’s assessment, including staff observations of union favoritism and court decisions regarding lawsuits filed by workers.

Although Ozak Tekstil was not affiliated with FLA, the organization called on Ozak management to immediately implement the recommendations made by the assessment team and to protect the rights of workers to freedom of association throughout the company.

Universities Leveraging their Buying Power to Drive Change

How FLA's university affiliates are proactively improving conditions for workers in licensee facilities

In 2012, FLA's University Advisory Council created a Student Committee to increase the voice of students in FLA's work. The students will provide input on labor issues facing workers around the world and other social responsibility issues.

It is essential to mobilize quickly when problems arise at a licensee facility, and many universities affiliated with FLA have spurred change by participating in advocacy efforts in response to allegations of workers' rights abuses. In addition, universities affiliated with FLA recognize the importance of taking a proactive approach – working with licensees not only when problems arise, but also to prevent violations and issues before they occur.

Here is an example of how the FLA model works for universities: during a June 2010 assessment of a licensee factory in Vietnam, FLA assessors discovered that a labor union had been dissolved, and they observed a lack of enforcement of personal protective equipment and failure to address issues reported during an official fire inspection.

By November 2012, a majority of the company's corrective actions had been implemented, including the re-establishment of a labor union, maintenance and replenishment of all fire safety and first aid equipment and enforcement of the use of personal protective equipment. The factory also trained supervisors on appropriate chemical handling procedures, and supported the re-establishment of a Safety Committee to monitor and address all safety issues.

This is just one example of the work FLA does with collegiate licensees to improve conditions for workers in factories around the world. Read reports from all FLA assessments at: www.fairlabor.org/transparency/tracking-charts.

This year, FLA staff visited the headquarters of several Category C licensees to learn about their labor compliance programs and provide guidance for improvement. These licensees are using FLA tools and resources to ensure compliance with the FLA Code of Conduct and the university affiliates' requirements. Some of their efforts include expanding compliance staff and using FLA's Workplace Code of Conduct to craft their own codes.



Student Committee members discuss innovative ways to communicate fire safety initiatives to workers.

Discussions continued among the FLA Board's Licensee Categorization Review Working Group on the Category B definition.

Two Category B licensees—Cutter & Buck and Outerstuff—transitioned to Participating Companies in 2012. Although only ten percent of its revenues come from collegiate apparel, Outerstuff voluntarily decided to bring 100 percent of its supply chain into FLA's program, signaling a strong corporate-level commitment to FLA's Code of Conduct. Hundreds of fine artisans, photographers and companies with total annual revenues below \$25,000 joined FLA as Category E Licensees this year.

In 2012, FLA's University Advisory Council – which includes a representative from each FLA-affiliated university – created a Student Committee to increase the student voice in FLA's work. The students will provide input on labor issues facing workers around the world and other social responsibility issues that matter most to students; and engage with peers and others to discuss global efforts to protect workers' rights. The Student Committee includes 14 students from 11 universities across the United States who are committed to improving workers' lives and are involved in labor and human rights scholarship and outreach on their respective campuses.

UNIVERSITY LICENSEES

FLA-affiliated universities require their licensees — any company manufacturing products bearing the school's marks or logo — to register with the FLA and meet specific obligations based on revenues.

- Category B: Companies with annual revenues of at least \$50 million commit to the FLA Principles of Fair Labor and Responsible Sourcing.
- Category C: Companies with annual revenues between \$2.5 million and 50 million commit to a subset of the FLA Principles of Fair Labor and Responsible Sourcing relevant to an organization of this size.
- Category D: Companies with annual revenues between \$25,000 and \$2.5 million commit to the FLA Workplace Code of Conduct and to a subset of the FLA Principles of Fair Labor and Responsible Sourcing relevant to an organization of this size.
- Category E: Small businesses with annual revenues less than \$25,000 are required to submit a signed letter on an annual basis certifying the licensee's commitment to FLA labor standards. This category may also include fine artisans or photographers whose annual revenue exceeds \$25,000.

The Student Committee will collaborate with university affiliates on a number of projects that will strengthen FLA's university program and increase awareness of workers' rights issues and FLA's work on campuses. The Student Committee will provide input at FLA's annual University Advisory Council meeting and throughout the year.

Innovating Through Research and Collaboration

How FLA special projects shed light on industry challenges and deliver solutions for workers.

EXPLORING CHILDCARE IN BANGALORE'S GARMENT FACTORIES

Quality childcare is a necessity in Bangalore's garment factories not just for the safety and security of the children, but also to support the stable growth of an industry besieged by heavy labor turnover among women, who constitute the bulk of the workforce. In 2012, FLA commissioned a study into the provision and quality of legally mandated childcare in Bangalore's garment factories.

This study is based on a survey of 300 women workers employed at 60 garment manufacturing factories. The survey was conducted in February and March 2012 by leaders of the women's organization Munnade and the all-women Garment Labor Union (GLU). The survey findings suggest a number of factors inhibiting women from using crèche facilities where they exist, and that age restrictions imposed by the factories exclude many children under the age of six who are left unsupervised or with inadequate care.

Of the 300 survey respondents:

- 38 percent were working in a garment factory while pregnant.
- 30 percent received paid leave during maternity.
- 59 percent were aware that the provision of a crèche by their employers was legally mandated. Only 30 percent had enrolled their children in the factory crèches.

Findings of the study were presented at a multi-stakeholder round-table organized by Cividep, Samvada and FLA, and in collaboration with the Karnataka State Commission for the Protection of Child Rights on June 5, 2012. The meeting brought together welfare officers at local manufacturers, corporate social responsibility managers at brand companies, the Assistant Labor Commissioner, community activists promoting workers' and women's rights, and trade union leaders. The group resolved to continue exploring constructive ways to collaborate by forming a Working Group on Childcare.



Workers looking for flowers to be pollinated in India.

JOINT STUDY WITH THE INDIA COMMITTEE OF THE NETHERLANDS

In December, FLA published a study co-commissioned by the India Committee of the Netherlands (ICN), which found ongoing and rampant wage discrimination and underpayment of wages in hybrid vegetable and cotton seed production in India. The study, conducted by Dr. Davuluri Venketeswarlu and Jacob Kalle, was conducted in four Indian states where hybrid seed production is largely concentrated – Andhra Pradesh, Gujarat, Karnataka and Maharashtra – and involved interviews with nearly 500 workers on 200 seed farms and discussions with growers, civil society organizations, government officials and others. Key findings include:

- On average, women workers earn less than men. Average wages in all four states are substantially lower for labor-intensive tasks such as cross-pollination, weeding and harvesting – which are traditionally carried out by women.
- Children do some of the same work as adults on farms, but are paid less. Forty-four children under fourteen years old were interviewed. They are paid on average 10-20 percent less than women completing the same tasks.
- No significant difference in wages were found between farms producing seeds for national and multinational companies. About 37.5 percent of the sample farms in the study were producing seeds for multinational companies.
- Legal minimum wages are often not paid to workers. For example, the average daily wage for women tasked with sowing, weeding and harvesting is between 5-48 percent lower than the legal minimum wage in different states.

Download the study at www.fairlabor.org/report/wages-inequality-wage-discrimination-and-underpayment-hybrid-seed-production-india.



A Kenyan woman sews as part of the Ethical Fashion Initiative.

WORKING UNDER KENYA’S “FIERCE SUN”

Kenya, a developing country with a population of more than 41 million people, is the most industrially developed country in East Africa. Industrial activity is concentrated around Nairobi, Mombasa and Kisumu – the three largest urban centers – and is dominated by food-processing industries, sugarcane crushing, and the production of consumer goods. The country’s formal sector, however, is unable to absorb the growing number of jobseekers.

In fact, an estimated 6.4 million workers in Kenya have turned to what’s known as *jua kali* – translated as “fierce sun” in Swahili or “informal sector” in English – to earn a living. Some hand-carve bones in the slums of Kibera, while others do beadwork on the outskirts of Nairobi.

The International Trade Centre’s (ITC) Ethical Fashion Initiative (EFAL) supplies income-generating opportunities to these informal workers to help reduce poverty and empower workers, especially among marginalized groups of women. In 2010, FLA partnered with ITC on a pilot project to assess workers’ needs and the impact of the Ethical Fashion Initiative on their daily lives.

During the first two years of the pilot, FLA assessed the needs of this informal sector of artisans; developed a methodology for measuring the social impact of the program on the livelihoods of communities producing goods for EFAL; devised an independent external assessment and monitoring program for the informal sector; and created the necessary tools to address labor issues.

Preliminary data from the impact assessment conducted in 2012 show that women surveyed had earned respect from their male counterparts, especially from their husbands, as a result of their ability to earn a living and take care of family needs as well as restocking their animals.

FLA's experience during this special project has led to the creation of an umbrella project within FLA called FAIR-ART (Artisans for Responsible Trade). FAIR-ART is dedicated to tackling labor issues in the informal sector, and the tools developed during this special project can be applied to other parts of the world and utilized by other FLA affiliates who conduct business in informal settings.

Read more and download FLA's July update on the Ethical Fashion Africa project at www.fairlabor.org/our-work/special-projects/project/fair-art.



A worker completes the detasseling task in a Brazilian corn field.

EVALUATING RISKS IN CORN AND SEED PRODUCTION IN BRAZIL

In January, FLA launched a study of soy and corn seed production in Brazil to develop a better understanding of the local conditions, practices and labor standards in the country's agriculture sector. An independent external expert conducted the study, collecting data through meetings with stakeholders including Instituto Ethos, a leading CSR organization in Brazil; and union representatives from Sindicato dos trabalhadores rurais de Minas Gerais in Serra do Salitre and Sindicato de trabalhadores rurais de Uberlandia of Uberlandia.

The study included interviews with union representatives based in Serra do Salitre and Uberlandia; eight representatives from Syngenta in Sao Paulo, Uberlandia and Unai; and 39 workers, who offered unique insight into the corn and soy production process. The study is available at www.fairlabor.org/report/task-and-labor-risk-mapping-soy-corn-seeds-brazil.



A panel of speakers provide feedback and answer questions at FLA's Fair Wage Workshop at the University of Washington.

EXAMINING GLOBAL FAIR WAGE PRACTICES

The University of Washington hosted FLA's Fair Wage Workshop in October, which explored a number of worrying trends that have developed since before the economic crisis and continue to prevent many workers around the world from earning wages that meet their basic needs.

Over the past two years, FLA has worked closely with the Fair Wage Network to develop and test a suite of tools to provide companies with a global picture of wage practices across their supply chains. In 2012, three companies – PUMA, adidas and H&M – piloted FLA's Fair Wage Assessments, which involve an online questionnaire for factory managers, worker interviews, and qualitative case studies. The outcome of these exercises feed into a Fair Wage Matrix, which provides an overview of information on each of the Fair Wage dimensions by country, product, and type of supplier, along with policy recommendations and preliminary remediation suggestions.

The three companies presented summaries of their pilot projects at the University of Washington workshop. Representatives from civil society organizations, universities and other companies then provided feedback and asked questions during a panel moderated by UAC Co-Chair Karen Daubert of Washington University in St. Louis.

Global Forum for Sustainable Supply Chains

MAKING A PACT TO ERADICATE SLAVE LABOR IN BRAZIL

According to the U.S. Department of State, more than 25,000 persons are subjected to slave labor in Brazil. They are forced to work in a number of industries, from cattle ranches to large farms producing corn, cotton and soy. In 2005, the International Labour Organization (ILO), Ethos Institute, and the Social Monitoring Institute formed the National Pact for the Eradication of Slave Labour in Brazil (the “PACT”), a multi-stakeholder initiative dedicated to engaging national and international companies to maintain supply chains free of slave labor.

In July 2012, FLA’s Global Forum For Sustainable Supply Chains and the ILO, with support from Catholic Relief Services, organized a 2-day workshop to provide PACT stakeholders with information about accountability mechanisms, transparency requirements and aspects of technical, financial and organizational sustainability based on the experience of other multi-stakeholder initiatives.

PROTECTING WORKERS’ TERMINATION BENEFITS IN GLOBAL SUPPLY CHAINS

Workers are the ones most exposed and vulnerable when market conditions push companies and suppliers to reduce employment, of either a portion or the entire workforce. Many countries legally mandate payment of severance – typically calculated based on job tenure – when partial or full retrenchments arise, but there is generally no requirement in domestic law to create a fund to ensure that the factory is able to meet its severance liabilities. This means that funds will often not be available to pay severance, since retrenchments inevitably occur at a time when factories are facing serious financial difficulties – the ultimate being bankruptcy and plant closure.

In the past, the issue of nonpayment of severance has been addressed inconsistently and on a case-by-case basis in global supply chains. In pursuit of a long-term solution that ensures workers receive legal severance entitlements, FLA’s Global Forum for Sustainable Supply Chains has engaged companies, insurance experts, universities, civil society organizations and international institutions – including the Microfinance Institute.

The Global Forum convened two meetings in 2012 for these stakeholders to discuss potential solutions. Input from stakeholders will guide the creation of a feasibility study into potential solutions in 2013, in consultation with insurance experts and leaders in the field. Additional convenings and opportunities for dialogue are planned for the coming year.



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