



FAIR LABOR
ASSOCIATION[®]

2013 ANNUAL REPORT



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2013 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, colleges and universities, and civil society organizations (CSOs).

Chair

Kathryn "Kitty" Higgins

Former U.S. Deputy Secretary of Labor

Company Representatives	University Representatives	CSO Representatives*
Stan Blankenship Russell Brands/Fruit of the Loom Cara Chacon Patagonia Monica Oberkofler Gorman New Balance Brad Grider Hanesbrands Gregg Nebel adidas Group Tammy Rodriguez Esquel Group	Karen Daubert Washington University in St. Louis Bob Durkee Princeton University Richard Fairchild University of Utah <i>Term began June 1, 2013</i> Kathy Hoggan University of Washington Michael Low University of Notre Dame Maureen Riedel Pennsylvania State University Craig Westmeier University of Texas at Austin <i>Term ended May 31, 2013</i>	Marsha Dickson Educators for Socially Responsible Apparel Business Linda Golodner National Consumers League Meg Roggensack Human Rights First Jim Silk Yale Law School Karen Tramontano Global Fairness Initiative <i>*One CSO seat vacant in 2013</i>

FOREWORD



AP Photo/Brian McDermott

By Kathryn “Kitty” Higgins; former Deputy Secretary of Labor (1997 – 2001), and current FLA Board chair (2011 – present)

In the late 1990s, I was on my third tour of duty with the US Department of Labor.

I had already spent nearly a decade at the Department and at the White House in the 1970s, before spending the 1980s working on policy in the offices of Sen. Edward Kennedy and Rep. Sander Levin. In 1993, I returned to the Department of Labor as Chief of Staff to Sec. Robert Reich.

By the time I became Deputy Secretary of Labor in 1997, under President Bill Clinton, much had changed in the world of global trade. More and more companies were shifting their production out of the United States, and reports of serious labor rights abuses overseas were making headlines here at home.

In response to the growing public outrage over “sweatshop” scandals implicating many major apparel brands, the President convened a multi-stakeholder group (the Apparel Industry Partnership) and requested a plan to address labor rights issues in global supply chains.

Out of these discussions, the Fair Labor Association (FLA) was born.

I followed the progress of the FLA over the years with a strong interest in seeing if the group of stakeholders assembled by the White House and later joined by nearly 200 colleges and universities might develop into an effective organization, improving working conditions and advancing workers’ rights around the world. I have been heartened by the FLA’s evolution and continuous improvement, so in 2011 I was honored to be asked to chair the FLA Board.

When I accepted this position, I was confident that I would be working with highly motivated partners who share my commitment to improving workers’ lives. My confidence was well-placed.

In 2011, the FLA significantly enhanced its Workplace Code of Conduct, strengthening code elements related to hours of work, compensation, and egregious human rights violations such as child labor. In 2012, the FLA expanded the work begun with Syngenta in the agriculture

sector by accepting Nestlé as a Participating Company, and began assessing factories in the electronics supply chain by accepting Apple as a Participating Company. At the same time, the FLA continued to strengthen its factory-monitoring processes, moving from traditional auditing practices to a new Sustainable Compliance methodology (SCI).

FLA staff knew that fully implementing the SCI methodology would be a challenge. The progression from conventional auditing to SCI required hiring a number of internal assessors, and doubled the amount of time assessors spent in each facility. For this and other reasons related to rapid expansion of the FLA, there were cost overruns in 2012 that forced the FLA to act decisively to get its budget back into balance while also continuing to carry out its mission.

Some of these actions are reflected in the 2013 annual report. For example, the FLA decided to slow down implementation of the SCI methodology, and the factory-assessment cycle (see p. 22) took place only in countries with FLA resources and staff already available. This resulted in fewer factory assessments than in previous years.

Other difficult decisions made in 2013 required reductions in staffing costs. Despite these reductions, the staff remained steadfastly devoted to the mission of the FLA, and their dedication allowed the FLA to achieve the advances that are reflected in this report, such as the progress in accrediting additional companies' compliance programs (see p. 28), FLA's work on its fire safety project (see p. 42), improvements in the FLA's Safeguards processes (see p. 46), and the October 2013 adoption of a major new addition to the FLA's Principles of Fair Labor and Responsible Sourcing and Production (see p. 20).

While 2013 was a challenging year, I am proud to report that by year-end the FLA was back on track. In 2014, the organization will implement external assessments at the level mandated by the FLA Charter, and will continue to innovate and lead the way on social compliance in global supply chains. FLA's new president, Claudia Coenjaerts, joined the organization in January 2014 with the unanimous support of the FLA Board. It is my distinct pleasure to introduce her first president's message (see p. 4), in which she sets forth her reflections on the current landscape and her vision for the future of the FLA.

The FLA has made great progress over its first 14 years, and its commitment today – to improve conditions for workers worldwide – remains the same as when it was founded. I am confident that the Fair Labor Association, with the support of all our partners, will continue to strengthen its programs and expand its reach, to the benefit of workers around the world.

MESSAGE FROM THE PRESIDENT



By Claudia Coenjaerts;
FLA President and CEO

I joined the Fair Labor Association as president in January 2014, already holding a deep admiration for the organization's first 14 years of commitment to workers' rights. I was aware of how the organization had evolved, had been impressed by this evolution, and was thrilled for my path to cross with the FLA's at the moment when the Board of Directors was seeking a new president.

Early in life, I decided to devote my career to goals that are at the heart of the FLA's mission. I am grateful to build upon my years of experience with the International Labour Organization to lead the FLA in its mission to hold companies accountable for respecting human rights at work.

As our Board chair, Kitty Higgins, explained in her foreword, 2013 was a year of challenge, transition, and recalibration for the Fair Labor Association. Now it's time for the FLA to take its next steps forward.

I would like to share some thoughts on what I believe are three core values of the FLA – and how we can leverage them to meet existing and emerging challenges in the global supply chain.

ACCOUNTABILITY TO THE HIGHEST STANDARD

The FLA's Workplace Code of Conduct, its associated Benchmarks, and the underlying Principles of Responsible Sourcing and Production represent the gold standard in social compliance. They are supported by the FLA's foundational document – its Charter – which prescribes numerous mechanisms for ensuring that the FLA truly promotes the highest standards of accountability. I will work hard to be vigilant about adhering to these core commitments.

I also commit to fully embracing the value of the FLA's flagship program – its long-standing accreditation system (see p. 14). When a Participating Company or Supplier joins the FLA, it is with the goal of earning accreditation for the company's social compliance program. Moving forward, we will clarify and reinforce the high standards associated with accreditation, and implement a process to recognize and verify an accredited company's continuing commitment.

As our membership has evolved from primarily apparel and footwear companies, today we welcome agriculture and electronics companies

into our affiliate community. These companies operate differently from apparel companies, and contend with issues unique to their size, sector, and sourcing models. While this diversity is an important strength, it comes with a responsibility to hold all companies to consistently high standards and ensure that clear rules of engagement are consistently applied.

TRANSPARENCY

Closely related to accountability, a second core value of the FLA value is the commitment to transparency. Affiliates know that when they join the FLA, and sign on to our Workplace Code of Conduct, the FLA will publicly report instances of non-compliance as they are identified, which strengthens the integrity of their social compliance programs.

Currently, the FLA offers a number of special projects and tools to our affiliates, including a traceability project dedicated to supply-chain mapping. We look forward to implementing future traceability and mapping projects that can take our affiliates' commitment to transparency to the next level.

With the advances in global communications and individual access to social media since the founding of the FLA, we believe that companies already committed to transparency will only benefit as the world continues to "shrink."

MULTI-STAKEHOLDER ENGAGEMENT

The third core value of the FLA, written into the organization's Charter, is its commitment to a multi-stakeholder framework. Since the FLA's founding, companies, universities, and civil society organizations have worked together, at both the governance and operational levels. In the composition of working groups and committees, in the implementation of special projects and investigations, and in many other contexts, the FLA always approaches its work from the point of view that we can build consensus and achieve more effective results through engagement, by giving all stakeholders an equal voice.

As we move forward, we find that the multi-stakeholder structure has evolved since 1999. For example, while the FLA once focused primarily on engaging brands, today a number of suppliers participate in our business caucus. In 2013, the FLA accredited a supplier's compliance program for the first time, and we now have suppliers sitting on our Board, participating in our working groups, and rightfully asking for recognition of their workers' rights commitments equal to those of brands. Given the complexity of supply chains, it will only strengthen the organization if we are able to help brands and suppliers cooperate. I believe the FLA can better improve conditions for workers by having both stakeholder groups at the table committed to strong principles of responsible sourcing and production.

CLAUDIA COENJAERTS, PRESIDENT AND CEO OF THE FLA

Prior to becoming president of the Fair Labor Association, Claudia Coenjaerts performed multiple roles for the International Labour Organization, beginning in 1991 as a gender expert working on women's economic empowerment and the protection of women workers' rights in Bangkok, Thailand, and later in Phnom Penh, Cambodia. She also served as a technical expert on child labor issues in Southeast Asia, before becoming director of the ILO office in Bangladesh, and then the director of the ILO office in Sri Lanka. In 2005, she relocated to Geneva as a senior specialist for socio-economic reintegration in the ILO crisis response and reconstruction program, and then took on increasingly senior management positions in areas related to employment. In January 2012, she became the deputy regional director for management, administration and operations in the ILO's regional office for Africa in Addis Ababa, Ethiopia. Her areas of expertise include international labor standards, child labor, workers' rights, post-conflict job creation, and gender equality.

At the same time, I sense even more opportunities to build on the FLA's multi-stakeholder foundation, and strengthen the mechanisms for participation and representation with the organization. The FLA model can only realize its fullest value by embracing the need for true representation of the workers whose lives it aims to improve. This must start at the workplace, through genuine support of freedom of association and collective bargaining rights. These rights are critical to the success of the code of conduct we expect affiliated companies to uphold, and I believe they belong to the core of our mission.

Just as important for worker representation in the FLA is the serious involvement of relevant civil society organizations (CSOs), or others representing labor, in the governance of the organization. Working closely with CSOs that specialize in the realm of workers' rights helps ensure the FLA's transparency and independence while also helping establish sound policy that reflects the concerns of all our stakeholders.

At its best, the FLA operates as a safe space of mutual respect where all our affiliate groups – businesses, universities, and CSOs – can come together, hear opposing views, and work toward win-win solutions to difficult supply chain problems. This process is sometimes challenging and contentious. It can require patience and an open mind. But ultimately I believe that the multi-stakeholder consensus-building process works, and it works best when there is true equality among the stakeholder voices, including strong voices providing the perspective of the workers.

THE FUTURE: BEYOND COMPLIANCE FOR SUSTAINABLE SUPPLY CHAINS

For many years, we have heard criticisms of the check-list auditing model for ensuring social compliance. Sadly, recent factory disasters in Bangladesh and elsewhere have proven this model's insufficiency. The FLA's recently launched Sustainable Compliance (SCI) methodology (see p. 28) – with its focus on root causes of non-compliance, systems analysis, and actionable recommendations for remediation – offers some new opportunities.

Two years into the implementation of the SCI methodology, the FLA continues to refine this model. As we work to improve our own SCI implementation, we're also looking forward to what comes next, to make this model as effective as possible. While some level of auditing may always be needed to verify workplace standards, the FLA will look for ways to combine our efforts with other accountability initiatives and certification models. And we will work with companies and other stakeholders to see how the SCI approach can become an accepted industry-wide standard of assessment and accountability.

CONCLUSION: THE ROLE OF BUSINESS IN ENSURING WORKERS' RIGHTS

Finally, I believe that the FLA must become more vigilant about clearly measuring the impact of our work on workers' lives. This is ultimately the full *raison d'être* of this organization.

To that end, to truly achieve our mission and improve the lives of workers in the years to come, the FLA will focus on four important facets of companies' commitment to workers' rights:

- Visible and traceable supply chains;
- Responsible sourcing practices;
- Commitment to and realization of wages that enable workers a decent living; and
- Respect for basic rights and freedoms of workers, including the rights to freedom of association and collective bargaining.

For all of the reasons outlined above, I am proud to lead the FLA into its next stage, consolidating the ground-breaking work of the last decade, while fine-tuning the organization's implementation strategies. I am confident that the organization is well-positioned to build on its core values for a bright and successful future. I look forward to writing this letter again next year, to report on the first year of my presidency at the FLA.

2013 IN REVIEW



ACCREDITATION

A company's accreditation with the FLA signifies that it understands the role of headquarter-level business practices in achieving factory-level code compliance, and has established strong systems to prevent potential workplace abuses or remediate those that do occur.

p. 14

PRINCIPLE 8

In 2013, the FLA Board of Directors added "Principle 8" to the FLA's Principles of Fair Labor and Responsible Sourcing and Production. Principle 8 underscores the need for cooperation and clear communication between brands and suppliers, and between a brand's purchasing and social compliance departments.

p. 20

SUSTAINABLE COMPLIANCE METHODOLOGY

FLA assessors conducted their work in 2013 using the Sustainable Compliance (SCI) methodology, developed between 2008 and 2012 as an improvement over check-list auditing. SCI assessments include clear recommendations for actionable and sustainable remediation plans for any non-compliances found.

p. 28



THE SHIFT REPORT

The FLA engaged Shift, an independent, non-profit center for business and human rights, to assess the organization's alignment with the United Nations' Guiding Principles on Business and Human Rights, and to provide recommendations for improvement.

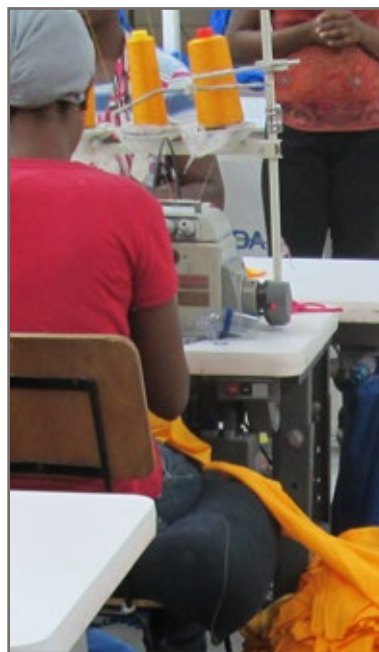
p. 36



FIRE SAFETY

In April of 2013, the tragic factory collapse at Rana Plaza underscored the urgent need for greater worker involvement in implementing stronger, more comprehensive safety measures in factories. The FLA's fire safety training program, launched in 2013, develops a culture of fire safety throughout all levels of a factory.

p. 42



SAFEGUARDS

The FLA maintains a Safeguards process, available to workers, civil society organizations, unions, or other interested stakeholders who wish to request investigations into possible violations of the FLA Workplace Code of Conduct and Compliance Benchmarks.

p. 46

WHO PARTICIPATES WITH THE FLA?

IN 2013 THE FLA HAD:

44 PARTICIPATING COMPANIES

21 PARTICIPATING SUPPLIERS

NEARLY 200 COLLEGES & UNIVERSITIES

2,000+ LICENSEES (CATEGORIES B, C, & D)

The FLA pursues a unique multi-stakeholder approach to its work, ensuring that a diversity of perspectives inform the organization's mission to improve conditions for workers and protect workers' rights in the global supply chain. Three primary constituencies make up the FLA: companies (brands, suppliers, and collegiate licensees), colleges and universities within the United States and Canada, and civil society organizations with a focus on workers' rights. These three stakeholder groups hold an equal number of seats on the FLA Board of Directors, representing the equality of their voices in all aspects of the FLA's work.

COMPANIES: BRANDS, SUPPLIERS, AND COLLEGIATE LICENSEES

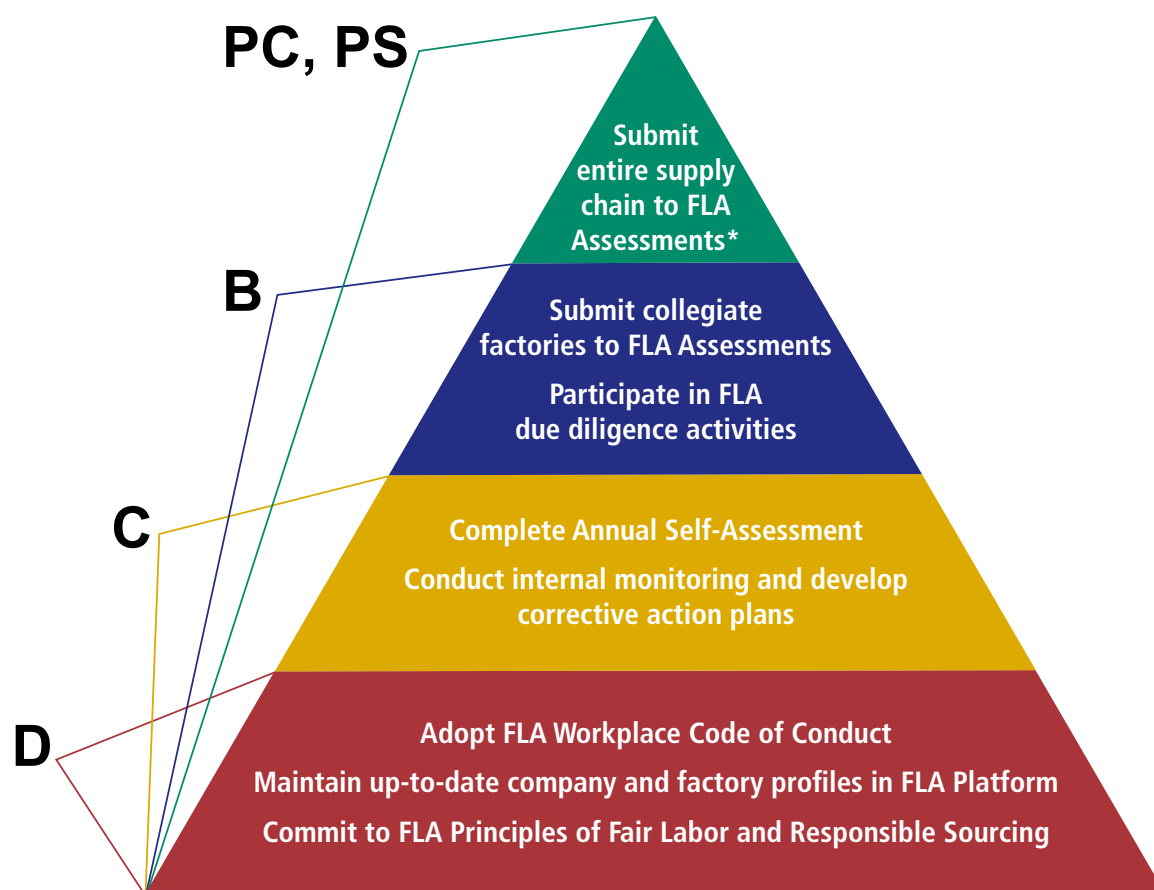
While the FLA began as an organization predominantly of apparel and footwear companies, over time, the FLA's reach has expanded. In recent years, agriculture companies, an electronics company (see p. 40), and a growing number of manufacturers ("Participating Suppliers") have chosen to affiliate with the FLA.

These companies' business models and supply chains – including both farms and factories – represent great diversity across the FLA. Among the FLA affiliates sourcing from factories, some companies contract with suppliers, others own and operate their factories, and other companies' supply chains include a mix of both. Companies may affiliate with the FLA because of a deep organizational commitment to improving working conditions in their supply chains, or because their university contracts require them to follow the FLA Workplace Code of Conduct as a condition for producing collegiate licensed merchandise.

To become an affiliate with the FLA, Participating Companies, Participating Suppliers, and Category B licensees must be vetted by FLA staff, who conduct thorough research on a company's labor practices. FLA staff prepare a report for the FLA Board of Directors, including any violations recorded by the National Labor Relations Board (NLRB), the Occupational Health and Safety Administration (OSHA), and the Department of Labor Wages and Hours Division, as well as any recent or

ongoing campaigns run by civil society organizations. Based on these reports and companies' demonstrated willingness to fulfill the Principles of Fair Labor and Responsible Sourcing or Production, the FLA Board of Directors then votes on whether to approve applicants for affiliation.

To remain an affiliate, the companies must annually continue to meet all of the criteria for their level of affiliation as explained in the pyramid chart below.



This chart explains the obligations of each level of a company's affiliation with the FLA. At the top of the affiliation pyramid, Participating Companies (PCs) and Participating Suppliers (PSs) have either had their overall social compliance systems accredited by the FLA (see p. 14), or are on their way toward becoming accredited. Upon their affiliation with the FLA, PCs and PSs establish a time-frame for meeting all FLA requirements for accreditation.

** The FLA Charter allows for a phased introduction of a company's entire supply chain.*



COLLEGES AND UNIVERSITIES

Nearly 200 colleges and universities affiliate with the FLA with the goal of eliminating labor violations from supply chains delivering logo-bearing merchandise. Affiliated schools require their licensees to register with the FLA and comply with the FLA Workplace Code of Conduct in their factories manufacturing products with collegiate logos.

In addition, by affiliating with the FLA, university licensing officials have the opportunity to collaborate with peers in other affiliated universities to share best practices, exchange ideas, and discuss current labor issues. The FLA facilitates many of these interactions through university-focused webinars, university caucus discussions at Board meetings, and other networking and knowledge-building meetings and events.

CIVIL SOCIETY ORGANIZATIONS

Civil society organizations (CSOs) are integral to the FLA's work, and their inclusion in the FLA's governance structure underscores the FLA's commitment to independence, stakeholder equality, and dialogue. CSOs help the FLA better perform its watchdog role, offering valuable expertise on labor issues specific to market sectors (like electronics, apparel, or agriculture) and to the geographic regions where the FLA is working.

CSOs participate in FLA-convened multi-stakeholder working groups, helping to shape workplace policies by sharing their perspective with university and business affiliates. In discussions of code-compliance issues, CSOs are able to bring their real-life experiences into the discussion, sharing their field knowledge, awareness of emerging issues facing workers, and suggested solutions to labor problems.

CSOs with knowledge of a violation of the FLA Workplace Code of Conduct connected with a Participating Company, Supplier, or Licensee may initiate a Third Party Complaint (see p. 46) with the FLA. Similarly, FLA staff investigating a complaint brought by a worker or union may consult relevant CSOs local to the production site to better understand the context of a given workplace issue.

COMPANIES AFFILIATED WITH FLA IN 2013

COMPANIES WITH COMPLIANCE PROGRAMS ACCREDITED BY THE FLA



HANES
Brands Inc



SANMAR



PARTICIPATING COMPANIES

ABC Gruppen (formerly Estate Europe)	GTM Sportswear
American Eagle Outfitters	J.America
Apple, Inc.	Lakeshirts
arena Group	Nestlé S.A.
Asics Corporation	New Balance Athletic Shoe, Inc.
Barnes & Noble College Booksellers	Olam
Concept One Accessories	Outerstuff
Cutter & Buck	prAna
Dallas Cowboys Merchandising, Ltd.	s. Oliver
Delta Apparel, Inc.	Syngenta
Fenix Outdoor	Tumi
Fifth & Pacific**	W.L. Gore & Associates GmbH
Follett Higher Education Group	

PARTICIPATING SUPPLIERS

Balsu San Tic	MAS Holdings (MAS Intimates)
Brooklyn Mfg. Ltda. De C.V.	Maxport Limited
Chenfeng	Nature USA
Delta Galil	Ocean Sky Global
Forward Sports	Pou Chen Group
Gibor Alfa	River Cross Sewing
Grupo Miguel	Textiles Opico S.A. de C.V.
Hansoll Textile	V.T. Garment Co. Ltd.
Hop Lun	Yee Tung
Kay & Emms	
KTC Limited	
Mainland Headwear	

* The FLA has accredited H&M's compliance program in China.

** Fifth & Pacific left the FLA in early 2014.

RECOGNITION FOR COMPANIES LEADING THE WAY

For Participating Companies and Participating Suppliers, working toward accreditation of their social compliance program is a primary goal of their affiliation with the FLA. For a company's program to receive accredited status, the company must submit to a more detailed and intensive review of their programs.

The FLA's Accreditation of Compliance Programs

In June of 2013, FLA staff spent two days observing workplace conditions at an apparel factory in Turkey that employed 135 workers. The next month, FLA staff conducted a similar visit to another factory in China supplying the same Participating Company, this one employing 380 workers.

These site visits were not part of the FLA's factory assessment cycle.

Rather, FLA staff were shadowing the internal auditors of Mountain Equipment Co-op (MEC), an FLA Participating Company. In addition to the publicly available assessments performed by the FLA and posted on the FLA website, FLA Participating Companies are required to continually assess the conditions in their supplier factories. Allowing the FLA to observe its own processes for assessing factory conditions is just one of many steps a company must take to earn accreditation of its social compliance program.

Accreditation is the highest level of recognition a Participating Company or Supplier can achieve from the FLA.

A company's accreditation signifies that it understands the role of business practices in workplace compliance, and has put strong systems in place to prevent workplace abuses or remediate them when they occur. In addition to FLA visits to production sites with company staff, accreditation requires a headquarter-level evaluation (see "Evaluation for Accreditation," p. 16). For the companies evaluated in 2013, this included headquarter visits in Hong Kong; Vancouver, British Columbia; and Ventura, California. These visits represent an opportunity for FLA staff to meet and interview relevant company staff in person, review processes and documentation, and assess the degree to which respect for workers' rights is demonstrated in the day-to-day functioning of a company at its highest levels.



For Participating Companies and Participating Suppliers, earning and maintaining accreditation of their social compliance program is the ultimate goal of their affiliation with the FLA. When a company comes before the FLA Board of Directors seeking affiliation, they must declare a goal for how long it will take their compliance program to be ready for an accreditation review. As companies improve their processes, aligning them with FLA standards, FLA staff provide evaluations and feedback for companies to help them determine their readiness for an accreditation review.

Companies must appear before the FLA Board of Directors for approval of their accreditation, at which point FLA staff present a comprehensive report on the company's compliance program to the Board.

EVALUATION FOR ACCREDITATION

Because there is no such thing as a perfect company, brand, or factory, the FLA does not offer a “certification” or a “seal of approval” for our affiliates or their factories. Rather, the FLA accredits the social compliance programs of Participating Companies and Suppliers that can demonstrate effective proactive systems for identifying and addressing code-of-conduct violations and risks at both the headquarter and production levels. For a social compliance program to achieve accredited status, the FLA requires a detailed and intensive evaluation, including:

- (1) **Company Application:** Each company’s original application for affiliation with the FLA serves as the starting point.
- (2) **Headquarter Assessments:** FLA staff visit a company’s head offices and, as appropriate, regional field offices, to interview staff from various departments – executive staff, compliance staff, sourcing and production staff, and the human resources department. These visits also include a documentation review, beginning with the company’s code of conduct, and including audit reports, remediation plans, training materials, and contracts with suppliers.
- (3) **Monitoring Visits and Assessments:** FLA staff review all FLA assessments, company action plans, and other documentation of the company’s affiliation to date.
- (4) **Annual Reports and Supporting Document Review:** Company reports for each year of affiliation with the FLA provide data on the evolution of a company’s compliance programs.
- (5) **Third Party Complaints:** A company’s involvement in, and responsiveness to, any Third Party Complaints provides additional information, if relevant.
- (6) **Field Observations:** FLA staff observe the company’s compliance methodology in action, accompanying compliance staff during site visits that may include factory or farm observations, training sessions, interviews with workers, or remediation inspections. FLA staff provide the company with a very detailed report on their observations, along with any feedback for improvement.



NEWLY ACCREDITED: ESQUEL GROUP

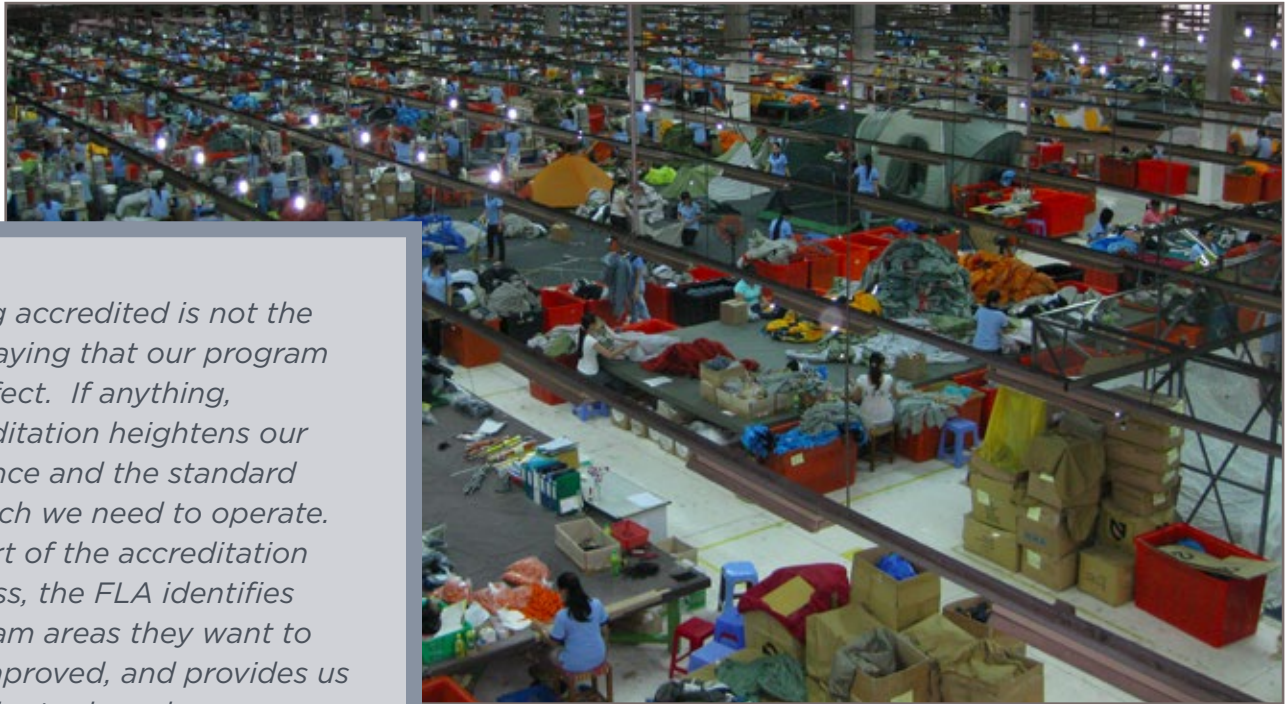
The first Participating Supplier to achieve FLA accreditation, the Esquel Group is a privately held company producing textiles and apparel, headquartered in Hong Kong, with more than 55,000 employees globally. The company's activities span the life-cycle of a garment, with workers involved in the full spectrum of manufacturing processes from cotton farming to spinning, knitting, weaving, and final assembly of garments in apparel factories.

Esquel produces for 55 clients that implement their own social compliance programs, including five FLA-affiliated companies, and Esquel collaborates with worker representatives at applicable factories in Sri Lanka, Malaysia, Vietnam, and China. Esquel's Director of Corporate Social Responsibility leads a multi-national team that demonstrates proficiency in 13 different languages in use by workers in Esquel factories. In total, at the time of accreditation, Esquel employed 62 staff members who were engaged in some aspect of corporate social responsibility.

Further accreditation information about Esquel can be found at www.fairlabor.org/report/esquel-group-assessment-accreditation.

"We feel very honored to be the first FLA Participating Supplier (PS) to achieve accreditation. We are also very grateful to the FLA for providing manufacturers a seat at the table and making genuine efforts to include our perspectives. The accreditation process helped us better organize certain areas of our work and further strengthen our internal systems of oversight. We look forward to continuing to work with the FLA and all affiliates to further address some of the complex supply chain issues that ultimately affect factory level working conditions."

Tammy Rodriguez
Director of Corporate Social
Responsibility for Esquel



“Being accredited is not the FLA saying that our program is perfect. If anything, accreditation heightens our diligence and the standard at which we need to operate. As part of the accreditation process, the FLA identifies program areas they want to see improved, and provides us with the tools and resources to make that process happen.”

Samantha Kuchmak
Manager of Social Compliance for
MEC

NEWLY ACCREDITED: MOUNTAIN EQUIPMENT CO-OP

Mountain Equipment Co-op (MEC) is a member-owned retail cooperative headquartered in Vancouver, British Columbia, and has been affiliated with the FLA as a Participating Company since February of 2005. The company has grown from six members in 1971 to serving 3.9 million members today via 17 retail stores and the Internet.

At its headquarters, MEC maintains a Sourcing Working Group charged with implementing MEC’s labor compliance program. The company’s Board of Directors includes a Sustainability Committee that meets four times a year to review updates on working conditions at supplier factories and to exercise oversight of company policies related to responsible sourcing. The MEC website describes how the company builds relationships with suppliers based on their continuous improvement of workplace conditions. In 2008, MEC became the first company in Canada to publish its factory lists online, which the company now updates annually. At the time of accreditation, factories producing MEC-branded soft goods like apparel, gloves, backpacks, tents, and sleeping bags were subject to assessments by the FLA.

Further accreditation information about MEC can be found at www.fairlabor.org/report/mountain-equipment-co-op-assessment-accreditation.



REACCREDITATION: PATAGONIA

Companies become due for a re-assessment of their status periodically after the initial accreditation of their social compliance programs. A Participating Company since 2001, Patagonia received accreditation for its compliance program from the FLA Board of Directors in 2008, and in 2013, Patagonia received reaccreditation.

Patagonia goes to great lengths to educate its customers about the importance of strong labor rights standards across the supply chain. Its "Footprint Chronicles" program provides an interactive web-based platform for customers to explore the origins of the products they purchase from Patagonia. Building on its commitment to both social and environmental accountability and transparency, the company also became a certified Benefit Corporation in California in 2011. The Benefit Corporation model, a legal structure currently recognized in 26 states, designates that a corporation is organized to formally consider the value it creates for society – not just for shareholders – in all of its efforts.

Further accreditation information about Patagonia can be found at www.fairlabor.org/report/patagonia-assessment-reaccreditation.

"The FLA accreditation process is extremely valuable to Patagonia because it independently validates our factory monitoring and remediation program, enhancing its credibility and transparency even further. Most importantly, our work with FLA has given us critical new tools to meet Patagonia's high social and environmental responsibility standards and helped us improve life for the workers that make our products."

Cara Chacon
Director of Social and Environmental
Responsibility for Patagonia

PRINCIPLE 8

PRINCIPLE 8

“Company affiliate aligns planning and purchasing practices with commitment to workplace standards.”

Benchmarks:

- Benchmark 8.1
Policy
- Benchmark 8.2
Training
- Benchmark 8.3
Accountability
- Benchmark 8.4
Dialogue
- Benchmark 8.5
Supplier Relationship

Years of monitoring supply chains and adjusting assessment methodology from the standard “checklist auditing” to more sophisticated root-cause analysis have shown FLA staff and affiliates how business practices, beginning at company headquarters, contribute to implementing the FLA Workplace Code of Conduct across the supply chain.

In 2013, the FLA Board of Directors voted to formally include this understanding in the FLA’s Principles of Fair Labor and Responsible Sourcing and Production – which all affiliated companies must sign.

The addition is known as “Principle 8,” the Principle of Responsible Purchasing Practices.

Principle 8 underscores how cooperation and clear communication **between brands and suppliers** can improve conditions for workers, and how business sourcing practices can improve supply-chain sustainability. Principle 8 further recognizes how cooperation and clear communication **between a brand’s purchasing and social compliance departments** can lead to improved working conditions across the supply chain.

For example, if a brand’s purchasing department clearly understands from its social compliance department how rush orders and last-minute changes trigger code-compliance challenges – excessive overtime, or missed rest days for factory workers, for example – the brand can avoid these risks by taking action at the headquarter level.

Within the language of Principle 8, the FLA identifies five specific benchmarks – relating to policy, training, accountability, dialogue, and the establishment of incentives for suppliers. Moving forward, the FLA will develop further guidance for affiliates on how to implement these benchmarks, so that brands can assess their progress with respect to Principle 8.

PRINCIPLE 8

“Company affiliate aligns planning and purchasing practices with commitment to workplace standards.”

BENCHMARK 8.1, POLICY*

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

BENCHMARK 8.2, TRAINING

All relevant business and compliance staff are trained and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance.

BENCHMARK 8.3, ACCOUNTABILITY

Company Affiliate holds relevant staff accountable for the implementation of planning and purchasing practices that help avoid negative impacts on workers and working conditions.

BENCHMARK 8.4, DIALOGUE

Company Affiliate staff responsible for planning and purchasing decisions engage with their labor compliance staff and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and avoid negative impacts on workers and/or compliance with code standards at supplier facilities.

BENCHMARK 8.5, SUPPLIER RELATIONSHIP

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

**Benchmarks from the Principles of Fair Labor and Responsible Sourcing. Similar language for the eighth Principle of Fair Labor and Responsible Production was also approved in 2013.*

DUE DILIGENCE IN 2013

The Fair Labor Association's annual due diligence reporting documents a core function of the FLA – the monitoring and assessment work performed at production sites around the globe.

In 2013, the overall reporting from this work looks different from any previous year in the FLA's history, showing both a sharp decline in the number of factories visited and a sharp increase in the number of farms. Financial challenges related to the FLA's adoption and expansion of the SCI methodology prevented the FLA in 2013 from maintaining factory-level due diligence as mandated by the FLA Charter.

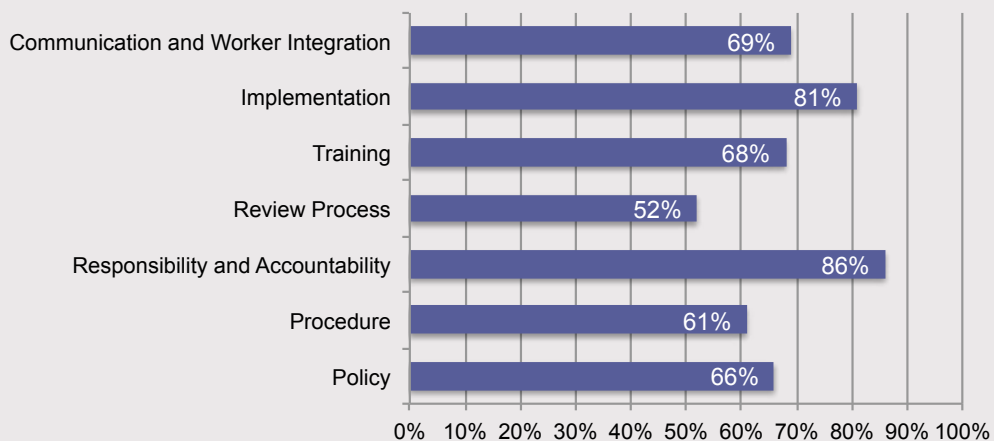
The Monitoring Committee of the FLA Board of Directors agreed to limit the year's factory-level due diligence to facilities associated with non-accredited Participating Companies and Suppliers, and excluded those associated with Category B Licensees. For companies participating in due diligence for 2013, the FLA assessed one factory apiece.

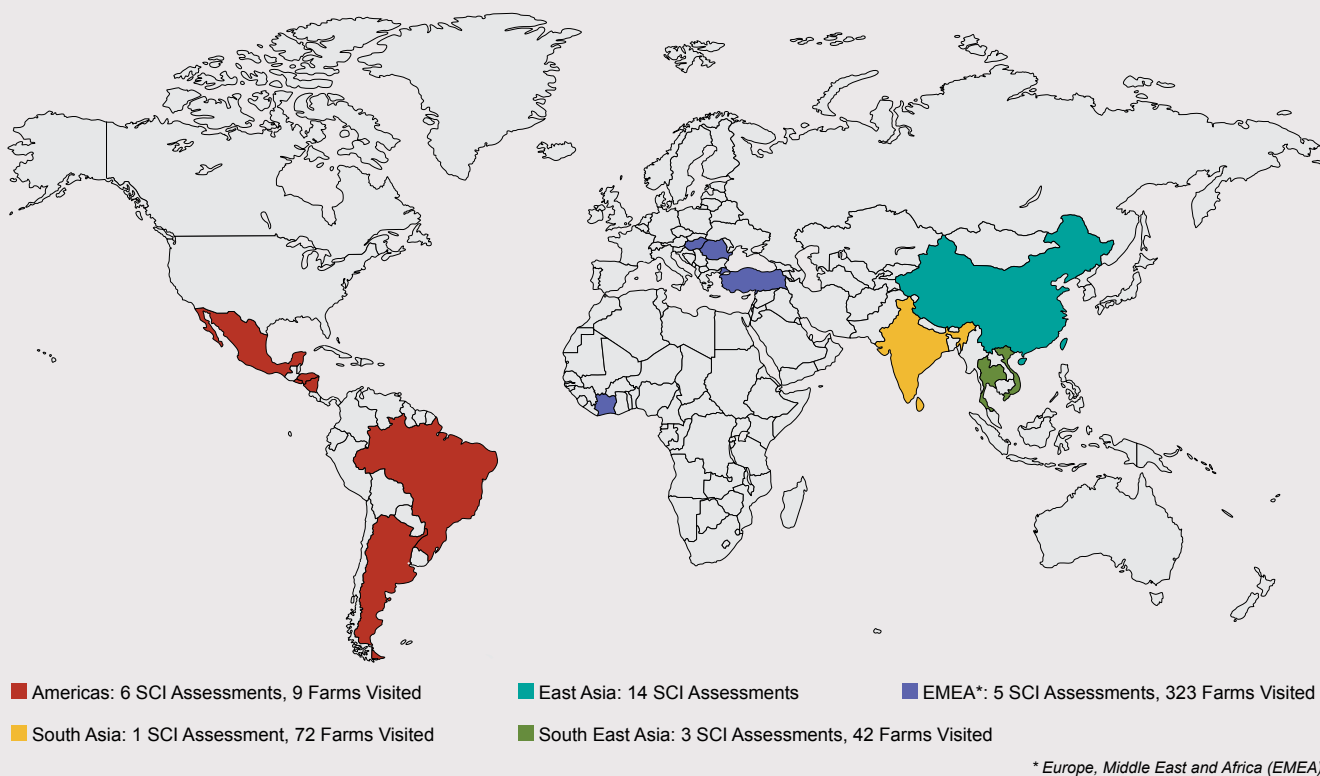
In a normal year, FLA assessors would visit five percent of all factories that non-accredited Participating Companies, Suppliers, and Category B Licensees have disclosed to the FLA, along with two percent of the factories disclosed by accredited affiliates. In 2014, the FLA's factory assessment program will return to these Charter-mandated levels of due diligence.

Overall, in 2013 FLA assessors visited 29 factories and 446 farms, which together employed an estimated 79,784 of workers. Also, for the first time, the FLA in 2013 conducted one assessment of home-based informal working conditions among artisan communities in Kenya producing for export.

In each case, whether the workplace is a factory, farm, or an informal setting, the FLA assesses workplace conditions against the standards of the FLA Workplace Code of Conduct (p. 35). Findings from the factory and farm assessments are summarized in the charts below and on p. 26. Detailed reports on conditions at each factory and farm appear on the FLA website at www.fairlabor.org/transparency.

AVERAGE SCORES BY FACTORIES ACROSS THE SCI MANAGEMENT FUNCTIONS ASSESSED BY THE FLA

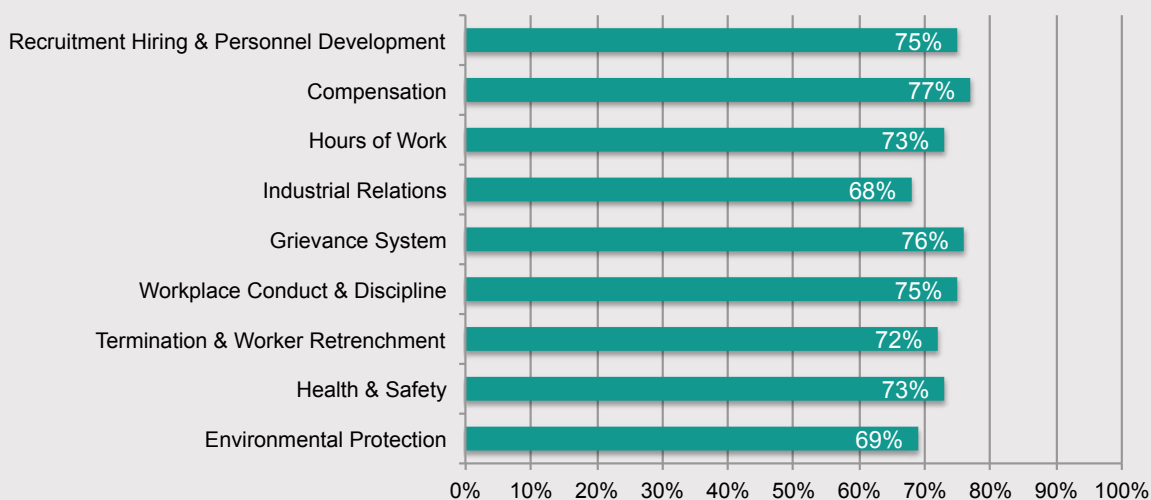




FACTORIES

In 2013, the FLA conducted factory assessments in nine countries. Nearly half of the assessments took place in China, by far the top supplier country for FLA affiliates in 2013. Factory due diligence makes use of the SCI methodology and root-cause analysis (explained on p.28), providing specific recommendations to factories for remediating all instances of non-compliance with the FLA Workplace Code of Conduct. On average, the assessments found 26 violations of the Workplace Code of Conduct benchmarks per assessment.

AVERAGE SCORES BY FACTORIES ACROSS SCI EMPLOYMENT FUNCTIONS ASSESSED BY THE FLA





Workers at a garment factory in Bulgaria during an FLA field visit.

FARMS

The FLA conducted independent external monitoring (IEM) at farms in eight countries. With growing seasons varying from crop to crop and country to country, assessors schedule their farm visits very carefully to coincide with peak seasonal workloads. Before conducting any agricultural assessments, FLA staff consult a minimum of three local experts (academics, civil society organizations, government officials, or others) to establish a familiarity with any workplace issues specific to the country or crop in question. In 2013, the FLA assessed working conditions at farms producing hazelnuts, corn, soybeans, rice, cocoa, sunflower seeds, and other vegetable seeds.

For agriculture companies, the FLA assesses between one and five percent of farms submitted for review, depending on the number of farms in a given supply chain, and subject to a stratified random sampling based on risk criteria, such as past history of non-compliance, high-risk tasks, and country-specific risks.

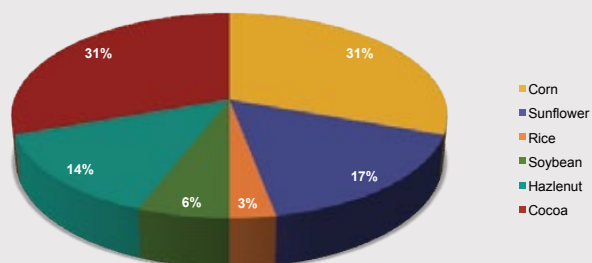


An FLA assessor interviews a worker at a cocoa-farming cooperative in the Ivory Coast.

Data collection in the agriculture sector differs from factory assessments due to the complexity of agricultural supply chains. Assessors may visit one very large farm or plantation, as with the FLA's assessments in Argentina or Brazil, or may visit a larger number of smaller farms, as with the FLA's assessments in the Ivory Coast or India. Additionally, agricultural assessments factor in information from beyond the boundaries of the farms to help identify external root causes that can affect working conditions at the farm. Because key elements of remediation efforts may involve cooperation with stakeholders outside the farms, at the village, community, or regional level, the FLA accepts an approach that allows affiliates to focus on remediating priority issues – such as child labor – first.

COUNTRY	FARMS VISITED	WORKERS INTERVIEWED
Argentina	3	60
Brazil	6	63
Hungary	10	34
India	72	157
Ivory Coast	220	137
Romania	6	47
Thailand	42	75
Turkey	87	300
TOTAL	446	873

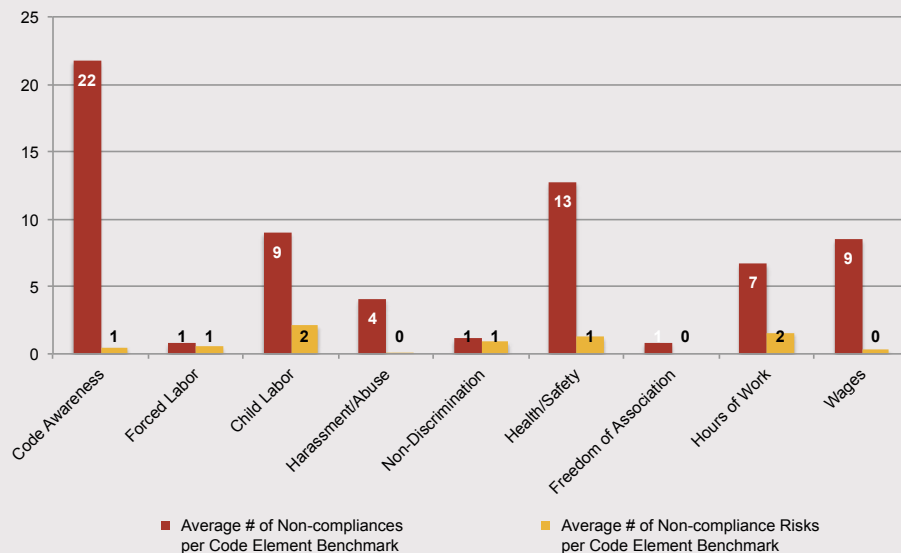
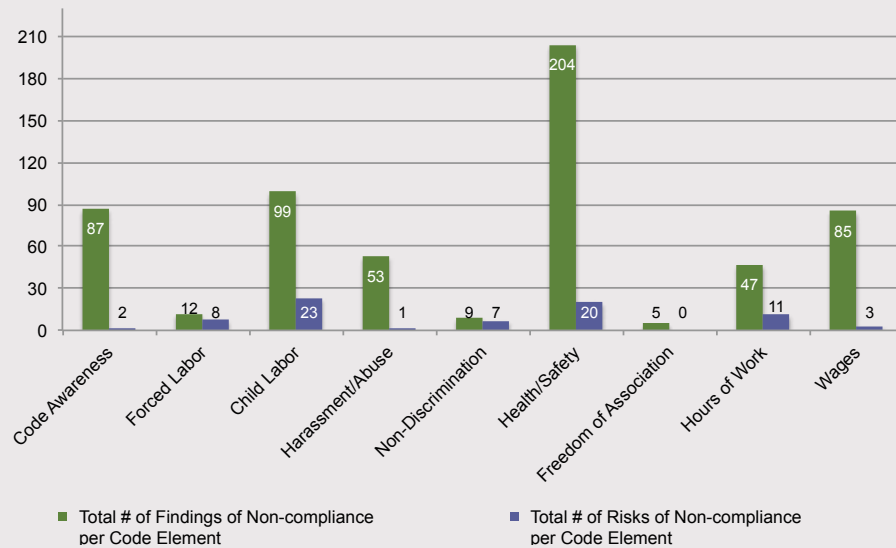
PERCENTAGE OF CROPS AT FARMS ASSESSED BY FLA



TOTAL AND AVERAGE NON-COMPLIANCES AND RISKS IN AGRICULTURAL ASSESSMENTS

These charts present both the total findings of the FLA's agricultural assessments by category and the relative frequency of non-compliances averaged by number of benchmarks per category.

Overall, assessors found health and safety violations to be the most numerous, totaling 204 violations overall, across all 446 farms visited – partly because assessors check against a greater number of specific health and safety benchmarks than for any other code element. In comparison, when examining workers' awareness of an existing code of conduct at the farms (the single most widespread non-compliance found), assessors measure against fewer benchmarks. With 99 instances of child labor found, and 23 instances of an uncorroborated risk of child labor, non-compliance with this code element proved to be one of the most serious, with both a high number of findings and a high number of risks.





A seamstress in Kenya sews for the Ethical Fashion Africa project.

NEW: ASSESSING INFORMAL WORK ENVIRONMENTS

The FLA conducted one IEM in 2013 for artisan communities in the town of Gilgil and the suburbs of Nairobi in Kenya. Artisans in these communities are working for a joint project of the International Trade Center and Ethical Fashion Africa, Ltd. They produce footwear, jewelry, and accessories, usually from small workshops or homes, where their work consists of sewing, embroidery, crochet, and beadwork.

PIONEERING SUSTAINABLE SOLUTIONS IN WORKPLACE COMPLIANCE

The FLA's SCI Methodology, A Progress Report

From 2008 to 2012, the FLA devoted considerable staff time and resources to developing next-generation factory assessment procedures.

The result, the Sustainable Compliance (SCI) methodology, goes far beyond the traditional “check-list” approach to auditing. While previous methodologies might have generated a compilation of compliance violations, for a factory assessor implementing the SCI methodology, findings of non-compliance are just the beginning. The assessor then performs a root cause analysis on each instance of non-compliance found, and these analyses – along with recommendations for remediation – appear as part of the assessor’s report.

Ultimately, it is the workers who benefit from this methodological shift in the world of social compliance, through actionable and sustainable remediation plans based on a clear understanding of how non-compliances come about.

UNDERSTANDING THE REASONS WHY

Sometimes a root cause may be very simple. For example, a 2013 assessment at a garment factory in Honduras found that no emergency evacuation routes were marked on the floor of either the screen-printing room or the warehouse. Upon investigation, assessors learned that the factory had recently rearranged the layout of both of these areas, without subsequently repainting evacuation routes on the floors. Assessors recommended immediately repainting the floors, and the factory followed up after the assessment by providing photographic proof to the FLA that it had taken this step.

Other root cause analyses may yield much more complex results. For example, an assessment team at a garment factory in Pakistan found several violations of the FLA Workplace Code of Conduct benchmarks related to harassment or abuse. The assessment team observed abusive behavior by supervisors and documented a daily pat-down practice to prevent theft by workers; worker interviews identified numerous instances of physical harassment related to the daily body-search practice.



Root causes identified in this case included local norms (body searches are legal and common in factories in Pakistan), lack of training for both managerial staff and security personnel, and a lack of worker representation in factory decision-making around disciplinary issues. To remediate these serious issues, assessors developed recommendations calling for an immediate stop to the daily body searches, training on appropriate conduct for security staff, and a new policy allowing workers to report their concerns to supervisors or managers. Just as important, workers received training on the new policies and procedures and the recourses available to them.

INVESTIGATING THE FULL EMPLOYMENT CYCLE

The SCI methodology takes greater account of the worker perspective across their full employment cycle. An SCI report presents findings based on all factory functions a worker experiences, from hiring and recruitment to industrial relations to factory termination policies. Assessors examine the relationships within factories in greater detail than with previous methodologies, and interview more workers to get their perspective and feedback on current conditions and how to improve them.



Factories have benefited from the root-cause analyses and recommendations presented to them via the SCI process. Rather than simply blaming a factory for its shortcomings and leaving it to factory management to figure out how to resolve the issues sustainably, the SCI process offers tools and guidance, intended to assist the factories. Assessors regularly report root causes that stem from lack of awareness of the FLA Workplace Code of Conduct or other local governing legal structures. In these cases, the SCI process serves as an educational tool, so that factory management knows how properly to comply with the FLA code and legal requirements.

A MATURING METHODOLOGY

The SCI methodology is still a very young methodology.

During 2013, the second year of SCI implementation, with the benefit of experience, assessors were able to reduce substantially the amount of time involved in the process, and identify regional issues that appear repeatedly from factory to factory and often stem from similar root causes. And real-world applications of earlier root-cause analyses have improved the quality of subsequent analysis, as assessment teams learn what remediation plans have worked best.

On p. 33, we present snapshots from three SCI findings to give a fuller picture of the usefulness of the SCI methodology. To find complete factory SCI reports, visit www.fairlabor.org/transparency.

TOWARD FAIR WAGES: BEGINNING TO ASSESS BASIC NEEDS WAGES THROUGH 2013 DATA COLLECTION

As part of the SCI assessments conducted in 2013, the FLA asked workers to report whether their wages were sufficient to meet their basic needs and provide some discretionary income, as required by the 2011 revision* to the FLA Workplace Code of Conduct.

In the FLA's 2013 assessments, a very common finding was that workers reported that they were not earning wages at this level. These findings, based only on worker self-reporting, were categorized as an "uncorroborated risk of non-compliance," indicating that the findings, though crucially important, were not substantiated through other sources. In many cases, the root cause analysis of this finding noted a general failure of the garment industry in certain countries to pay workers wages that meet basic needs and provide discretionary income.

In 2014, the FLA will initiate a pilot project to collect wage data in selected manufacturing countries to compare with a variety of living-wage benchmarks.

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

EXAMPLES OF SCI FINDINGS

The following examples of SCI findings, root cause analyses, and company action plans come from 2013 assessments, with company action plans extending into 2014. Each finding relates to a specific element in the FLA Workplace Code of Conduct. (See p. 35.)

These three examples require immediate action on the part of the factories, though other findings may be marked as "sustainable improvement required," when risks to workers need long-term solutions. In most cases, as with these examples, immediate action is also followed by sustained improvement, to address the root causes identified by assessors.

In their formal report, assessors cite not only the applicable FLA Workplace Code of Conduct element, but also any binding local laws. When the two do not explicitly align, the stricter of the two standards governs the corrective action plans.

Code Element: Health, Safety, and Environment

Finding Type: Immediate Action Required

Location: Turkey

Details/Explanation: Assessors found six emergency exits on the production floor, though not all were functional. One exit led first to a technical workshop room, and then into an open space. Although the workshop was mostly kept locked for security reasons, the door was still marked with an exit sign. Additionally, some exit doors opened inwards instead of outwards. The aisles in the cutting and sewing units were narrow and obstructed at some points, thus preventing safe evacuation in case of emergency. One empty fire extinguisher was observed in the kitchen; workers reported that this extinguisher was used during a fire safety training and subsequently neither replaced nor refilled.

Root Causes

Although the factory's Health and Safety Committee is active and meetings are held monthly, assessors observed that workers are not actively involved in health and safety management, which includes topics like fire safety and safe evacuation. Due to production planning, the sewing line had recently been extended to add new cutting tables. Fire evacuation requirements were not considered during the extension. There was no one in charge of monitoring the empty fire extinguishers and coordinating their replacement.

Recommendations for Immediate Action

1. At least two exits should be defined in every production area.
2. Where exit signs lead to areas that are not appropriate exits, the routes should not be used and the exit signs should be removed.
3. All exit doors should open outwards instead of inwards.
4. All escape pathways should be reorganized to avoid any obstruction.

Recommendations for Sustainable Improvement

1. The factory should: A) establish a regular monitoring system for fire preparedness and safe evacuation, B) update its risk analysis, C) create health and safety policy and procedures and D) communicate them to all employees.
2. Health and Safety committee members should: A) start working more actively on health-and-safety-related issues, B) start participating in internal audits, and C) be trained on relevant topics, such as local laws and standards related to health and safety, emergency response plans, and specific workplace health and safety risks.
3. The affiliated brand should organize a training or workshop to explain: A) health and safety laws and regulations, and B) FLA Benchmarks.

Company Action Plans

The factory's Health and Safety Committee updated the facility's risk assessment on June 8, 2013. Inward-opening exit doors were corrected to open outward, and the exit sign leading to the technical workshop was removed. Further safety trainings for employees continued into 2014, with a fire drill and evacuation training planned. Sewing lines and cutting machines were to be relocated, with exit routes to be freshly marked on the floor. All employees were to be trained on the improvements to the factory, with fire extinguishers to be checked every three months.

Target completion date: April 2014

Code Element: Harassment or Abuse

Finding Type: Immediate Action Required, Sustainable Improvement Required

Location: China

Details/Explanation: Assessors found that 30 percent of workers interviewed reported abusive behavior from their supervisors in response to minor mistakes. Workers reported a fear of openly communicating with their supervisors.

Root Causes

The factory lacks a progressive disciplinary system with documented policies and procedures, leaving disciplinary actions mostly at the discretion of supervisors. Supervisors were promoted from among production workers, but received no specific training on their roles and responsibilities regarding workplace discipline. Supervisors reported in interviews that ongoing stress related to production at times adversely affects their interaction with workers.

Recommendations for Immediate Action

1. Factory management should take immediate steps to end all types of verbal abuse by supervisors.
2. Factory management should instruct all supervisors and production managers that they must refrain from using verbal abuse as a means of discipline.

Recommendations for Sustainable Improvement

1. Workplace conduct and discipline issues should be closely monitored by the affiliate brand's audits.
2. The factory's "morale support team" should conduct focused surveys on a periodic basis to identify potential harassment or abuse issues, and to assess overall worker satisfaction. Factory management should review the collected data and take corrective and preventive actions.
3. The factory should prepare a training program for supervisors to include: roles and responsibilities; local law and code requirements; factory disciplinary policies and procedures; effective communication skills; how to deal with aggression; how to prevent and manage disputes on the factory floor; prohibitions against all kinds of harassment, abuse, intimidation, and violence; and communication with management on disciplinary actions

Company Action Plans

The factory will expand the trainings available to supervisors per the FLA's recommendations, and conduct effectiveness evaluations on these trainings on a regular basis. Additional communications channels will enable workers to submit complaints about their supervisors directly to line managers. The factory's "morale support team" will increase its on-site surveys on workers' experiences with supervisors, and conduct on-site observations.

Target completion date: May 2014

Code Element: Compensation

Finding Type: Immediate Action Required

Location: Honduras

Details/Explanation: From review of a sample of working time records and payroll, assessors found several instances of the factory not paying overtime compensation to piece-rate workers from the sewing department, who stayed beyond regular work hours in order to reach production goals.

Root Causes

Not paying overtime to piece-rate workers reduces factory's operational costs, which factory management has considered reasonable, given that piece-rate workers are allowed to leave the factory once they have reached their production goals, which is sometimes earlier than the time scheduled for departure.

Recommendations for Immediate Action

1. The factory should pay piece-rate workers all legally due overtime for work performed in order to reach production goals.

Recommendations for Sustainable Improvement

1. The factory should revise its current compensation procedure to include: A) steps and requirements to ensure that all working time is accredited and paid, and B) a record of all overtime performed and production goals achieved.
2. The factory should regularly train production and administrative staff who are in charge of payroll on the revised compensation procedure, and regularly communicate to both workers and supervisors on the revised compensation procedures, focusing on overtime and production goals requirements.
3. Human Resources staff should periodically monitor the proper implementation of the revised procedure.

Company Action Plans

The factory will begin to pay piece-rate workers for overtime work, and will revise its current compensation procedures, including requirements to ensure that all working time is accredited and paid properly. Factory managers will train production and administrative staff who are in charge of payroll on the revised compensation procedure, and will regularly hold trainings to communicate to both workers and supervisors on the revised compensation procedures. Finally, the factory's Human Resources staff will periodically monitor the proper implementation of the revised procedures.

Target completion date: June – October 2014

FLA WORKPLACE CODE OF CONDUCT

PREAMBLE

The FLA Workplace Code of Conduct defines labor standards that aim to achieve decent and humane working conditions. The Code's standards are based on International Labor Organization standards and internationally accepted good labor practices.

Companies affiliated with the FLA are expected to comply with all relevant and applicable laws and regulations of the country in which workers are employed and to implement the Workplace Code in their applicable facilities. When differences or conflicts in standards arise, affiliated companies are expected to apply the highest standard.

The FLA monitors compliance with the Workplace Code by carefully examining adherence to the Compliance Benchmarks and the Principles of Monitoring. The Compliance Benchmarks identify specific requirements for meeting each Code standard, while the Principles of Monitoring guide the assessment of compliance. The FLA expects affiliated companies to make improvements when Code standards are not met and to develop sustainable mechanisms to ensure ongoing compliance.

The FLA provides a model of collaboration, accountability, and transparency and serves as a catalyst for positive change in workplace conditions. As an organization that promotes continuous improvement, the FLA strives to be a global leader in establishing best practices for respectful and ethical treatment of workers, and in promoting sustainable conditions through which workers earn fair wages in safe and healthy workplaces.*

EMPLOYMENT RELATIONSHIP

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

NONDISCRIMINATION

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

HARASSMENT OR ABUSE

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

FORCED LABOR

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

CHILD LABOR

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

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

HEALTH, SAFETY, AND ENVIRONMENT

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

HOURS OF WORK

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

COMPENSATION

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

**Find a full list of benchmarks for each FLA code element at: www.fairlabor.org/our-work/labor-standards*

THE SHIFT REPORT

The Shift report recognized the FLA for its commitment to transparency, for its strong verification and reporting practices, for the 2011 enhancements to the FLA Workplace Code of Conduct, and for the recent incorporation of root-cause analysis into the FLA's assessment process.

How the FLA's Work Aligns With UN Guiding Principles on Business and Human Rights

Following the adoption by the United Nations' Human Rights Council of its Guiding Principles on Business and Human Rights in 2011, the Fair Labor Association commissioned a study comparing the alignment of the UN's principles with the FLA's work.

The FLA engaged Shift, an independent, non-profit center for business and human rights founded by the team of experts involved in the original drafting of the UN Guiding Principles. Shift is chaired by Professor John Ruggie, former special representative of the U.N. Secretary General for Business and Human Rights, author of the Guiding Principles.

For the FLA, Shift focused its analysis on the second of three "pillars" of the UN Guiding Principles. The first of the Guiding Principles' pillars affirms the government's duty to protect against human rights abuses by third parties, including businesses. The second pillar affirms business's responsibility to act with due diligence to prevent and remedy the adverse human rights consequences of their activities. And the final pillar affirms the government's responsibility to provide judicial, administrative, or legislative remedies when the first two pillars fail.

Shift reviewed the FLA's standards, processes, and activities against four key questions:

- What does the FLA require of Participating Suppliers and Participating Companies (and through them, their suppliers)?
- How does the FLA know whether these requirements are being met?
- How does the FLA show that these requirements are being met (whether privately to FLA members or publicly)?
- What supporting systems or activities does the FLA offer to Participating Companies and Suppliers to help them meet FLA requirements?

Based on this analysis, at the FLA Board of Directors meeting held in February 2013, Rachel Davis of Shift presented the findings of the study, finding several key points of harmony between FLA's methodology and the UN's guidance.

For example, the Shift report recognized the FLA for its commitment to transparency, for its strong verification and reporting practices, for the 2011 enhancements to the FLA Workplace Code of Conduct, and for the recent incorporation of root-cause analysis into the FLA's assessment process. Likewise, the report recognized the FLA Principles' recent inclusion of responsible sourcing ("Principle 8," see p. 20) as a way to reinforce respect for human rights across all company departments.

To align FLA's Principles with the UN Guiding Principles even further, the Shift report provided several suggested action steps, such as: developing methods to track Participating Companies' and Suppliers' performance with respect to Principle 8; providing clearer pathways for smaller licensees to meet the full range of FLA requirements; and clarifying the Workplace Code of Conduct with greater specificity around what grievance mechanisms the Code requires.

PARALLELS WITH THE GUIDING PRINCIPLES.

The UN Guiding Principles establish six procedural elements necessary for a company to demonstrate its respect for human rights. Shift found significant parallels, and provided suggestions for the future, across each of the following categories:



Policy	1. Developing and articulating a human rights policy statement
Human Rights Due Diligence	2. Assessing the company's actual and potential impacts on human rights
	3. Integrating findings from such assessments into the company's decision-making and taking actions to address them
	4. Tracking how effectively the company is managing to address its impacts
	5. Communicating to stakeholders about how it addresses impacts
Remediation	6. Helping remediate any negative impact it causes or contributes to



POLICY COMMITMENT:

Shift recognized the FLA's clearly articulated requirements for Participating Companies, as explained in the revised 2011 FLA Workplace Code of Conduct and the Principles of Fair Labor and Responsible Sourcing. The report also noted that historically "the issue of a 'living wage' has been a challenge for the organization," and that the 2011 revision to the compensation element of the FLA code "arguably brings the Workplace Code into alignment with the International Covenant on Economic, Social, and Cultural rights (ICESCR)."



HUMAN RIGHTS DUE DILIGENCE: ASSESSING IMPACTS

Shift recognized that the FLA's Principles require Participating Companies to "monitor an appropriate sampling of suppliers regularly to assess compliance with workplace standards," and that such monitoring must include both worker and management interviews. The report also noted that the addition of Principle 8 (see p. 20) "take[s] an important step" toward ensuring that sourcing criteria are consistent with workplace standards.



HUMAN RIGHTS DUE DILIGENCE: INTEGRATING AND ACTING ON FINDINGS

Shift recognized that the FLA requires that Participating Companies identify all staff responsible for implementing their compliance programs, and ensure that they "have appropriate competencies and suitable training, updated at regular intervals." The report also noted the conflicts that can arise when "incentives to buyers are driven entirely by commercial factors," and encouraged the FLA to continue to focus on this issue in the future.



HUMAN RIGHTS DUE DILIGENCE: TRACKING EFFECTIVENESS

Shift recognized the FLA for requiring Participating Companies and Suppliers to analyze non-compliance findings to identify trends, including persistent or egregious forms of non-compliance, and to report to the FLA on their analysis. The report also encouraged the FLA to strengthen its verification of Participating Companies' and Suppliers' compliance over time, beyond the initial accreditation process.

“There are many ways in which the FLA’s policies, processes, and practices are well-aligned with the UN Guiding Principles. The revised workplace Code of Conduct provides a clear set of labor rights outcomes, in line with international standards ...

Also noteworthy is the FLA’s recent move away from pure compliance auditing towards the incorporation of more root-cause analysis and capacity-building approaches, aimed at more effective and sustainable mitigation of risks to workers’ rights ...

Transparency has also been a strong feature of the FLA’s Third Party Complaints mechanism, which has achieved some notable remediations of complex labor rights impacts over the years.”

Shift, “Implications of the UN Guiding Principles on Business and Human Rights for the Fair Labor Association.” New York, 2012.

✓ HUMAN RIGHTS DUE DILIGENCE: COMMUNICATING

Shift recognized the strong standards of transparency the FLA requires of companies when posting the reports of independent external assessments online. The report also noted that the FLA’s reporting requirements for Participating Companies and Suppliers primarily focus on communication to the FLA, and encouraged companies to keep communications channels open to the workers themselves.

✓ REMEDIATION AND GRIEVANCE MECHANISMS

Shift recognized the FLA’s Third Party Complaints mechanism, and commended the availability of complaint forms on the FLA website in several languages used by factory workers, including Bahasa, Hindi, Khmer, Mandarin, Spanish, and Thai. The report also encouraged the FLA to clarify requirements for confidential reporting channels and grievance procedures for Participating Companies themselves.

FINAL VERIFICATION OF FLA'S FIRST ASSESSMENTS IN ELECTRONICS FACTORIES



Beginning in February of 2012, the FLA expanded the scope of its factory assessments beyond footwear and apparel to include electronics, when Apple became a Participating Company.

The FLA launched its most comprehensive assessment project ever in 2012, with a special investigation at three of Apple's supplier facilities, Foxconn factories in Guanlan, Longhua, and Chengdu. Summaries of the initial investigation appear on the FLA website and in the FLA's 2012 annual public report, though work on this project continued into the following year. While numerous remedial actions in 2012 improved working conditions in the Foxconn factories, Apple and Foxconn developed action steps targeted for completion in July of 2013, and the FLA made plans to follow up.

To verify implementation of the remediation plans in 2013, the FLA worked with local independent monitoring organizations Openview and Social Compliance Service Asia (SCSA) to revisit the three Foxconn facilities twice. First, from January 15 to 25, 2013, assessors focused on verifying compliance with Apple's remediation plans through the end of 2012. Then, from October 28 to November 8, 2013, assessors focused on compliance through July 1, 2013. The FLA publicly reported the findings from each new round of assessments.

MID-YEAR FOXCONN VERIFICATION STATUS REPORT

The Foxconn verification report published in May 2013 found that numerous physical changes in the factory through the end of 2012 had improved health-and-safety conditions for workers. Assessors found improved enforcement of ergonomic breaks, equipment re-designs to prevent repetitive stress injuries, updated maintenance policies, and improved testing of emergency protective equipment like eyewashes and sprinklers. Management had also enhanced factory grievance systems, and the percentage of worker representatives on union committees increased significantly in all three facilities.

With steady progress verified for most ongoing action items, the May 2013 report affirmed that all action items due to be completed by the end of 2012 had met their target date. Assessors also noted some progress on a particularly challenging action item due for completion by July 2013 – bringing hours of work into compliance with both Chinese law and the FLA Workplace Code of Conduct.

FINAL FOXCONN VERIFICATION STATUS REPORT

The FLA's final verification report published in December 2013 noted continued progress on working hours, and also confirmed that Foxconn facilities fell short of full compliance with both Chinese law (49 hours per week) and the FLA Code (60 hours per week, including overtime). Assessors found that all three facilities exceeded overtime limits during the period from March to October 2013. Additionally, at the Guanlan facility, workers inconsistently received their required one day off per every seven working days. Overall, the FLA examined progress on a total of 360 action steps scheduled to be completed by July of 2013. As of the final assessment report, 356 action items had been verified.

Progress on each of these action items affects the lives of the estimated 170,000 workers at the assessed Foxconn facilities. The FLA continues to work with Apple to ensure continual improvement, and to assess the working conditions in additional electronics factories. Full reports on all FLA assessments of Apple supplier factories are available at:

www.fairlabor.org/affiliate/apple.

STATUS OF REMEDIAL ACTION ITEMS AT THREE FOXCONN FACTORIES SUPPLYING APPLE, AS OF JULY 1, 2013				
	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	100.0
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	84.0	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
Number of actions due to be completed between December 31, 2012 and July 1, 2013	2	2	2	6
Number of actions due to be completed between December 31, 2012 and July 1, 2013 completed and verified by the FLA by July 1, 2013	1	1	2	4
Percent of action items completed and verified by FLA by July 1, 2013	99.2	99.1	98.4	98.9

CREATING A FIRE SAFETY CULTURE IN FACTORIES

The 39 foundational competencies of the FLA's fire-safety training encompass the following 13 categories:

1. Policies, Directives, and Procedures
2. Risk Assessment
3. Emergency Action Planning
4. Structures
5. Automated Systems
6. Emergency Evacuation
7. Fire Hazards and Risks
8. Fire Extinguishers and Hoses
9. Training
10. Emergency Operations Center
11. Emergency Operations Response Team
12. Inspection
13. Preparedness

FLA Develops a new IOSH-Accredited Training Series

In September of 2012, fire broke out in a textile factory and a footwear factory in the Pakistani cities of Karachi and Lahore respectively, killing a total of 257 people, and injuring more than 600. Two months later, in November, the Tazreen Fashions factory in Dhaka, Bangladesh caught fire, killing 117, and injuring 200.

These and other serious factory fires in recent years have focused greater attention on the risks workers face in factories that lack a fire-safety culture and awareness of best practices for fire prevention and protection.

With that in mind, and with the goal of empowering workers to identify unsafe working conditions and improve fire safety, in 2013 the FLA began developing a suite of fire safety training courses, to be made available to both FLA affiliates and non-affiliates. The FLA engaged Dr. David Gold, an international consultant on workplace fire prevention and protection, to design the training series and develop its materials.

The training series that emerged has been accredited by the Institution for Occupational Health and Safety (IOSH) in the United Kingdom. The US National Fire Protection Agency (NFPA) has vetted the 39 foundational competencies on which the training materials are based. The training is designed to improve workers' fire prevention and protection skills and to build a fire-safety culture at the factory level.

At the end of 2013, the FLA conducted a regional fire-safety training course in Sri Lanka for four master trainers from various university and non-governmental (NGO) backgrounds, as well as for eight master trainers working for brands. Upon graduating, fire-safety master trainers were equipped to perform trainings of their own at the local level. The strategy of the training series calls for a cascade of trainings, with local trainers training fire safety facilitators in factories, who then are able to train fellow factory workers.



Dr. David Gold with participants at the fire safety training in Sri Lanka.

The FLA will make the training series available from 2014 onward and can adapt it to other countries and languages as needed. IOSH ensures the quality control for the training program, and all participants receive IOSH certification upon successful completion of their courses.

A self-assessment for workplace fire safety is available on the FLA website, along with the syllabi for the training courses, and an elaboration of the 39 foundational competencies.

Visit www.fairlabor.org/firesafety for more information.



SOCIAL IMPACT ASSESSMENT PILOT PROJECTS

Traveling Upstream: The FLA Helps Companies Understand their Supply Chains

In 2013, the FLA partnered with two Participating Companies to conduct a social impact assessment of their sourcing from informal workers in parts of India.

FLA Participating Company H&M sources from suppliers in New Delhi that in turn partner with home-based piece-workers in nearby towns. And FLA Participating Company Syngenta sources watermelon and hot-pepper seeds from small-holder farmers in remote locations in the Indian states of Karnataka and Maharashtra.

In both cases, the workers have no formal relationship with the company, and the company has limited visibility into its effects on the communities from which it is sourcing. To help the companies better understand their supply chains, the workers, and their communities, FLA assessors traveled to both supplier communities to interview workers and report on existing social and economic conditions, and workers' aspirations for the future.

Assessors combine targeted questions about work with other interview questions and exercises designed more broadly to provide insight into the daily patterns of life and overall community conditions. The result is a personal, human portrait of the community of workers involved in a particular supply chain, giving H&M and Syngenta a bigger-picture representation of how its presence affects a given community.

Results of these projects will be available in 2014.

The FLA thanks H&M and Syngenta for participating in the pilots. Our Research and Innovation Team will use the results of these projects to refine its social impact methodology and offer this tool to more Participating Companies sourcing from informal-sector workers.

PROMOTING SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY IN VIETNAM

Identifying and Remediating Regional Challenges to Code Compliance

As a global center of apparel and footwear manufacturing, Vietnam is home to the fifth-highest number of factories from which FLA Participating Companies source their products.

To more thoroughly assess working conditions in Vietnam and to help factories share best practices in social compliance, the FLA entered into a partnership with the Vietnam Chamber of Commerce and Industry (VCCI) funded by a grant from the U.S. State Department (continuing through 2014).

The project began with in-country stakeholder consultations that determined three primary compliance areas – fair wages, hours of work, and labor-management relationships – in particular need of attention in the Vietnam garment and footwear industry. The FLA then conducted worker and management interviews in 31 factories in both the north and south of Vietnam to better understand these issues. Altogether, the surveyed factories employed 101,705 workers, with 4,785 randomly selected for interviews.

Project staff identified the following compliance areas for 2013 factory management trainings:

1. **LABOR-MANAGEMENT RELATIONSHIP** – The FLA staff focused on four key issues: whether workers are informed about factory policies and communications channels, whether workers are consulted on issues relevant to them, if workers are using available channels to voice concerns, and whether the worker perspective is systemically integrated into factory affairs. In interviews, the vast majority of workers (91 percent) indicated a willingness to speak up about their workplace concerns. The top two workplace concerns of interviewed workers were fair wages (85 percent) and hours of work (67 percent).
2. **FAIR WAGES** – According to interviews conducted by the FLA, 64 percent of workers surveyed reported that they must work more than 40 hours per week to earn wages sufficient to cover their basic needs. Forty percent of workers reported that even working more than 60 hours a week – a violation of the FLA Workplace Code of Conduct – would not cover their basic needs, at their current wage levels.
3. **HOURS OF WORK** – In addition to overall working hours, as reported above, FLA staff surveyed workers on breaks, finding that while 96.4 percent of surveyed factories provided their workers with a lunch break, very few provided additional breaks. The FLA Code requires “reasonable” breaks, and FLA staff found that only 12.6 percent of the surveyed factories allowed a morning break, while 14.8 percent allowed an afternoon break.

In 2014, project staff will perform impact assessments at several of the 31 factories in the project.



FINDING SOLUTIONS TO WORKPLACE CODE VIOLATIONS

FLA's safeguard process works to address non-compliances reported outside of FLA assessments.

Since its founding, the FLA has maintained a Third Party Complaint procedure, available to workers, civil society organizations, unions, or other interested stakeholders to request investigations into possible violations of the FLA Workplace Code of Conduct and Compliance Benchmarks. For a Third Party Complaint to fall within the scope of the FLA's work, the facility in question must produce for an FLA affiliate, and the complaint must relate to one of the specific elements of the Workplace Code of Conduct.

In 2013, the FLA Board of Directors approved an expansion of this process to provide a broader set of "safeguard" tools to address instances of persistent or serious non-compliances with the FLA Code. These safeguards protect workers by providing more opportunities to remediate potential instances of non-compliance. The FLA's suite of safeguard tools now includes:

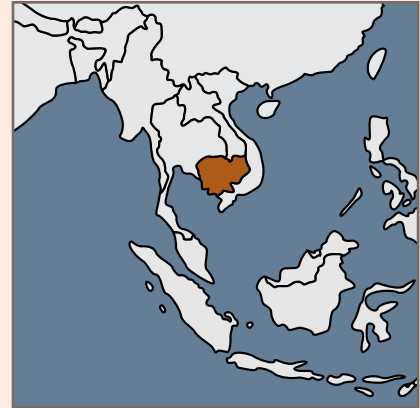
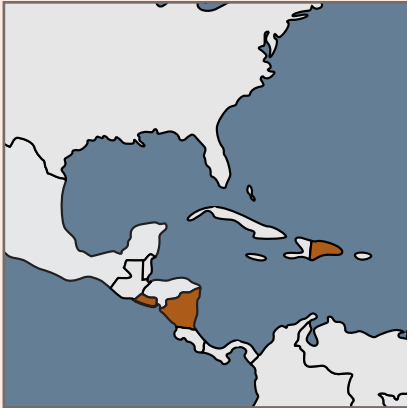
- Third Party Complaints
- Brand-commissioned Investigation with FLA Verification
- FLA-commissioned Special Independent Investigation
- Stakeholder Dialogue
- Special Projects

The FLA conducted safeguard work on the following workplace issues in 2013:

1. **WHERE:** JoeAnne Dominicana Factory, Dominican Republic
SAFEGUARD MECHANISM: Third Party Complaint
CODE ELEMENT: Freedom of Association

According to a complaint filed by a Dominican labor union in March 2013, workers at the JoeAnne Dominicana Factory who were participating in organizing meetings were singled out for dismissal, in violation of their right to freedom of association. At the time, FLA-affiliated brands Franklin Sports and Fruit of the Loom (and adidas Group licensee Dick's Sporting Goods) sourced from JoeAnne Dominicana.

The FLA engaged an independent investigator to conduct an assessment in April of 2013, and published the investigation's findings in June. Concluding that workers'



freedom of association rights had in fact been violated, the FLA investigation report called for a remediation plan to begin in June, including compensation for lost wages, reinstatement of improperly dismissed workers, and establishment of policies and procedures to protect workers' freedom of association rights and to prevent anti-union discrimination.

The remediation plan also called on FLA-affiliated brands to ensure compliance with this plan, and to actively communicate respect for freedom of association and the right to collective bargaining in their work with JoeAnne Dominicana. The FLA scheduled a verification of these remediation plans to be conducted in early 2014.

See www.fairlabor.org/reports/joannedominicana

2. **WHERE:** Tecnotex Factory, Nicaragua
SAFEGUARD MECHANISM: FLA-commissioned Investigation
CODE ELEMENT: Freedom of Association

In March of 2013, FLA-affiliated company Gear for Sports, Inc. (GFSI) asked the FLA to investigate reports of violence and freedom of association violations at the Tecnotex Factory in Nicaragua. The FLA conducted an investigation in two stages. The first stage, conducted by an independent investigator, included interviews with former Tecnotex workers, union leaders, and Nicaragua's Vice Ministry of Labor. The second stage, conducted by an FLA staff member, included a review of documents at Tecnotex, and interviews with current workers.



The investigation found improper dismissal of five union members, but did not establish responsibility for an incident of violence that occurred during a workers' protest in March. Completion of the investigation resulted in four specific remedial recommendations for Tecnotex, including reinstatement of the five dismissed workers, and alignment of factory policies, procedures, and training programs with the FLA Workplace Code of Conduct.

Additionally, the investigation provided corrective action steps for GFSI, so that the brand could remain engaged in improving conditions at Tecnotex. GFSI agreed to contract with a third-party training organization to raise awareness with workers about the right to collective bargaining and freedom of association. GFSI furthermore secured lost wages for the five reinstated Tecnotex workers, and agreed to contract with a third-party monitoring organization to verify compliance and remediation activities at Tecnotex.

See www.fairlabor.org/reports/tecnotex

3. **WHERE:** Century Miracle Factory, Jordan

SAFEGUARD MECHANISMS: Brand-commissioned Investigation, Stakeholder Dialogue

CODE ELEMENTS: Employment relationship, Non-Discrimination, Forced Labor

In February of 2013, migrant Burmese workers at the Century Miracle Factory in Jordan went on strike to protest discrimination in their wages and working conditions, and to demand better pay and Burmese-friendly food. The Yee Tung Garment Company Ltd., an FLA Participating Supplier headquartered in Hong Kong, owns the Century Miracle Factory, which produces knitwear and T-shirts for international buyers.

ERGONOMICS COMPLAINTS IN HONDURAS

In 2013, the FLA completed work on two long-standing third-party complaints, originally brought by a civil society organization focusing on women's issues in Honduras in 2010 and 2011. The complaint alleged health and safety issues due to the demands of production and the ergonomic design of work-stations at the facilities producing for Participating Companies Gildan and Hanesbrands in Honduras.

The FLA engaged ergonomics experts Dr. Lylliam López Narváez and Dr. Luis Blanco of the Universidad de León in Nicaragua to evaluate the ergonomics programs at the two brands' Honduran facilities through in-factory assessments and interviews with key external and internal stakeholders. The experts also provided corrective action plans to the facilities involved, including suggestions to add pauses, breaks, and ergonomic exercise routines for workers to prevent muscle fatigue; to upgrade the work-stations; to provide additional occupational health training for on-site doctors; and to invite worker participation in the implementation of all corrective action plans.

As implementation of the remediation plan was completed in 2013, the FLA closed the cases. The FLA will continue to work with the complainant to discuss practical and sustainable approaches to preventing workplace injuries at Gildan and Hanesbrands facilities in Honduras.

See <http://www.fairlabor.org/report/ergonomics-third-party-complaint-regarding-gildan-activewear-facilities-honduras>, and <http://www.fairlabor.org/report/ergonomics-third-party-complaint-regarding-hanesbrands-facilities-honduras>

The FLA in March 2013 requested that Yee Tung respond to the workers' allegations of discrimination and forced labor, and provide documentation to the FLA of a remediation process. Yee Tung reported that Century Miracle, in cooperation with the Jordanian Ministry of Labor and the local union, had updated its payment practices to include Burmese-language pay slips, adjusted the factory's meals to account for Burmese tastes, and compensated workers who were injured by violence connected with the strike. Century Miracle also established a process for assisting workers with the cost of returning to Burma, if they wished to leave the factory before their work contract had expired. The FLA will be conducting an independent verification of the action plan in 2014.

See www.fairlabor.org/report/century-miracle-factory-jordan



4. **WHERE:** E Garment Factory, Cambodia
SAFEGUARD MECHANISM: FLA-commissioned Investigation
CODE ELEMENT: Freedom of Association

Alleged violations of freedom of association at the E Garment Factory in Cambodia date to 2007, when the trade union C.CAWDU began protesting the illegal dismissal of 61 workers involved in establishing a union. By 2013, several freedom-of-association incidents involving both C.CAWDU and the union VKYFTU had resulted in violence and more dismissals of workers. E Garment is owned and operated by FLA Participating Supplier Yee Tung Group.

An independent expert on Cambodian industrial relations engaged by the FLA conducted an investigation in March of 2013. The FLA investigation found that the initial dismissal of workers in 2007 was without due cause and disrupted the functioning of the union. Overall, the investigation found a lack of understanding at the factory-management level of the rights of trade unions.

To improve labor relations at E Garment, the FLA recommended reinstatement with back pay of all dismissed workers, and education for factory management and the two unions on the process of collective bargaining. In an agreement signed in March 2013, and witnessed by the FLA's former president, the factory agreed to offer reinstatement to dismissed workers with back pay, and to resolve future labor issues through voluntary dialogue and negotiations.

See www.fairlabor.org/report/e-garment-factory-cambodia

5. **WHERE:** Textiles Opico, El Salvador

SAFEGUARD MECHANISM: FLA-Commissioned Investigation

CODE ELEMENT: Freedom of Association

In May of 2013, FLA Participating Supplier Textiles Opico (TEXOPS) and Dick's Sporting Goods (an adidas Group licensee) asked the FLA to evaluate the freedom of association environment at TEXOPS due to concerns raised by a local union. FLA engaged an independent monitor to investigate allegations of worker termination in retaliation for union activities, coercion of workers to sign anti-union petitions and work unpaid overtime, and the use of child labor.

The FLA published the investigation report in June of 2013. This report found evidence of the questionable dismissal of five workers, improper anti-union actions within the factory, an unlawful payment scheme related to the shutdown of a different factory, and confusion surrounding a factory program for at-risk girls (giving rise to child labor allegations).

To remediate these situations, the FLA report recommended reinstatement of the dismissed workers, and updates to factory policies to align with the FLA Workplace Code of Conduct. It recommended internal restructuring of a management-controlled communications committee to alleviate obstruction of union activities, and stronger communications about the objectives of the factory program for at-risk girls. The FLA scheduled verification visits to assess remediation progress for the beginning of 2014.

See www.fairlabor.org/report/texops

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