



FAIR LABOR
ASSOCIATION®

2014 ANNUAL REPORT





On the cover (top to bottom): Workers
 1) in India, producing apparel for prAna
 2) in Turkey, picking hazelnuts for Nestlé
 3) in China, producing footwear for adidas Group

Above: FLA fire safety training in Bangladesh in February 2014 (p. 39).

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Board of Directors

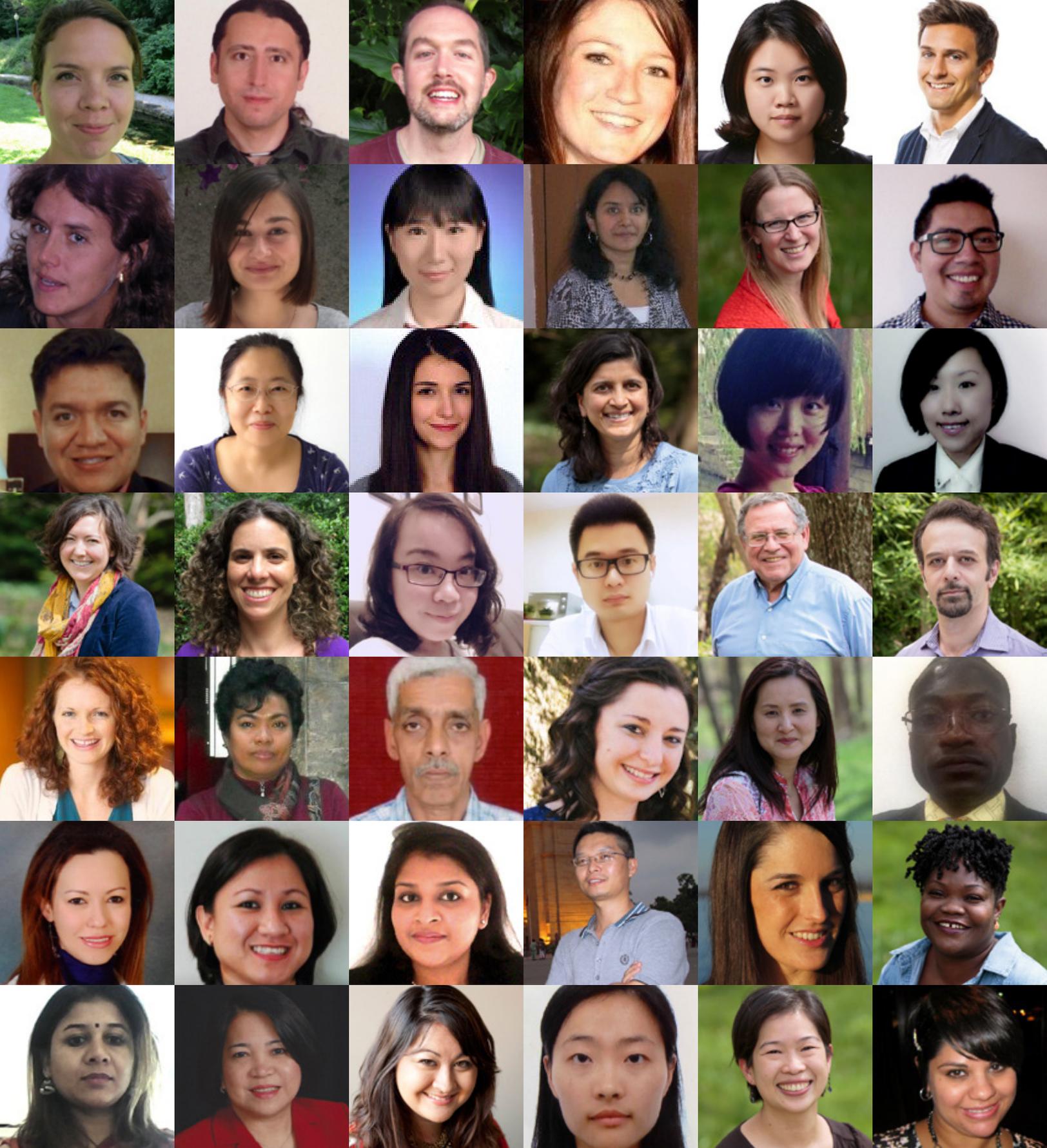
The Fair Labor Association’s Board of Directors includes an independent chair and six representatives each from three constituent groups: companies, colleges and universities, and civil society organizations (CSOs).

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Kathryn “Kitty” Higgins

Former U.S. Deputy Secretary of Labor

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THE FLA GLOBAL STAFF IN 2014

The Fair Labor Association maintains staffed offices in Washington, DC; Shanghai, China; and Geneva, Switzerland, with additional staff based in North Carolina, El Salvador, Guatemala, Italy, India, Ivory Coast, South Korea, and Turkey.

Foreword

In 2014, the FLA experienced a year of restructuring, renewed commitment, program advancement, and stability, following a brief period of financial uncertainty, as explained in the 2013 Annual Public Report. Looking back, the FLA staff has drawn confidence from the strength of the organization's 2014 resurgence, and takes pride that resilience and dedication not only sustained the FLA in the short term, but led to a clearer focus on the FLA's overall mission, which will sustain the organization in the longer term.

Throughout 2014, the renewal of the FLA was overseen by President Claudia Coenjaerts, formerly the director of the Bangladesh and Sri Lanka offices of the International Labour Organization (ILO). By the time this report was published, Claudia had returned to the ILO as director of its Caribbean office, and we wish her well in her new responsibilities. We focus this report on the progress we made together as an organization during her tenure – and on the FLA's goals for the future. Here are five ways the FLA advanced in 2014:

RETURN TO CHARTER-MANDATED DUE DILIGENCE

After two years of conducting fewer assessments than called for by the FLA Charter, the FLA returned to the full implementation of its core due diligence program in 2014 (see p. 20). Internal FLA teams and accredited external service providers conducted 129 factory-level assessments and 58 agricultural assessments in 21 countries across the globe, including factory assessments in Laos and Slovenia for the first time in the FLA's history. This work complemented the FLA's continuing due diligence at companies' top management level, as part of the FLA accreditation process (see p. 43). In 2014, the FLA conducted three headquarter assessments and FLA accreditation staff conducted 16 field observations in China, India, and Central America, to better understand affiliates' internal factory assessments and trainings. These visits help FLA staff determine how well companies' headquarter-level policies and practices serve to ensure fair treatment of workers in their supply chain.

The FLA IN 2014

As a multi-stakeholder initiative, the FLA brings together diverse perspectives in pursuit of the common goal of improving workers' lives. This is what the FLA's work in 2014 meant to a selection of our allies, peers, and colleagues in academia, private industry, and civil society:

We recently conducted research on organizations like FLA that set and enforce human rights standards for companies operating in the same industry. Our analysis showed that FLA is the gold standard among organizations seeking to fill the governance gap in weak states. The FLA combines resilient, multi-stakeholder governance structures; high standards that have become more specific and ambitious over time; ongoing, independent assessment of company performance; and a strong grievance mechanism that unions and advocacy groups regularly use. FLA should build on these strengths to focus on increasing NGO participation and making data about companies accessible to consumers, investors, and the public.

— Sarah Labowitz, co-director, and Dorothee Baumann-Pauly, research director,
NYU Stern Center for Business and Human Rights

IMPROVED REPRESENTATION OF STAKEHOLDER GROUPS

Also in 2014, we prioritized increasing the inclusion of all stakeholder voices in the FLA's work, especially among our supplier and agricultural affiliates, and among our civil society partners. For example, in May, the FLA conducted a supplier forum in Hong Kong designed to incorporate the supplier perspective more fully into the FLA's work. Pursuing more balanced relationships between buyers and suppliers is a necessary step for creating the cooperative and sustainable supply chain relationships that are able to protect workers' rights. The Agriculture Working Group also began adapting FLA benchmarks to the workplace realities of agriculture (see p. 28). This process takes into account the conditions workers face in the deeper tiers of our agricultural affiliates' supply chains, and will inform any future FLA work with apparel and electronics brands that goes beyond their final-assembly factories and deeper into their supply chains.

Throughout the year the CSO engagement team conducted a series of in-person stakeholder consultations with local worker-focused civil society organizations in countries where FLA affiliates are sourcing products – Guatemala, El Salvador, Honduras, India, Mexico, Turkey, and China (see p. 15). As FLA assessors conducted due diligence activities, the reflections from these local CSOs provided direct knowledge of the most pressing workplace issues, and by publishing CSO reports throughout the year, the FLA kept affiliates informed about current workplace conditions in manufacturing countries.

At FLA Board meetings in 2014, labor-rights advocates from organizations like the AFL-CIO, China Labour Bulletin, Human Rights Watch, and Oxfam joined FLA discussion panels and addressed FLA affiliates on topics like fair wages and freedom of association. Also in 2014, CSO engagement staff began to take a more formal and active role in the organization's Third Party Complaint and accreditation processes, ensuring that civil society organizations are able to lend

The FLA has increasingly become a lead convener for major brands, universities, and labor-rights advocates to dialogue and collaborate on some of the most challenging workers' rights issues of our time. It's not always easy to bring together diverse voices to seek solutions for systemic supply chain problems, and in 2014 I saw the FLA actively and transparently seeking the buy-in of all its stakeholder groups on its new fair compensation work. As the newest civil society representative on the FLA Board of Directors, I look forward to the improvements a fully realized FLA fair compensation strategy will bring in the lives of workers.

— *Nina Smith, Executive Director, GoodWeave (new FLA Board member in 2014)*

As the only FLA affiliate based in Australasia we are encouraged by the progress we have made since joining the FLA in June 2014. It is essential that we were partnered with a reputable organization that can assist us to enhance our social compliance program. During the first year of membership we have benefitted from a variety of FLA resources, including informative webinars, training, and guidance on specific queries. In many instances this has provided additional validation that our CSR program was on the correct path. Our forthcoming year will continue to include FLA factory assessments with the outcome of these shaping our future priorities for our CSR program.

— *Donna Didham, Supplier Management Officer, Kathmandu, FLA Participating Company*

their expertise to the resolution of workplace issues in FLA affiliates' supply chains. By strengthening the FLA's ties with workers' rights organizations, and systematically embedding their views and perceptions within the planning and execution of our work, the FLA can more successfully and authentically enact its vision of what a multi-stakeholder initiative should be.

A CONSTRUCTIVE SPACE FOR THOUGHT LEADERSHIP

During 2014, the FLA developed its reputation as a constructive space for thought leadership by delving into some of the most difficult issues that companies and workers face around the globe (see p. 10). Nine FLA-affiliated brands joined the FLA in taking a stand in favor of meaningful collective bargaining and higher wages in Cambodia, and at each Board meeting, the FLA staff convened robust and informative panel discussions on issues like social insurance in China, and the similarities and differences between the Accord and the Alliance in Bangladesh.

For the first time, the FLA began producing regular issue briefs on critically important social compliance topics like those named above, and others of importance to FLA affiliates, like disputes over the minimum wage in Haiti, and the rights of Syrian refugees working in Turkey. We look forward to further developing the FLA's role as both multi-stakeholder initiative and change agent, creating a constructive space where all interested parties can discuss complex supply-chain issues and how to address them in ways that advance the best interests of the workers whose rights the FLA defends.

COMPENSATION CODE ELEMENT PROGRESS

In many ways, the 2014 work that advanced a strategy to implement the FLA's compensation code element (see p. 16) exemplifies the FLA's dual role in providing both a constructive space for thought leadership and accountability measures for demonstrating progress. Throughout the final months of 2014, FLA staff reached out

From a university perspective, I think two of the FLA's top accomplishments in 2014 were the strengthening of its communications to university affiliates on key issues in global supply chains, and the establishment of an online tracking chart for complaints and investigations involving university licensees. Separate from my university-related work with the FLA, I have also participated in the FLA's Agricultural Working Group to adapt the FLA Principles of Fair Labor & Responsible Sourcing and FLA Compliance Benchmarks for the agriculture sector. I commend the FLA for putting together a strong and balanced multi-stakeholder team that has been able to bring different perspectives together to strengthen the FLA's agriculture program.

— Ravi Anupindi, Chair of the Advisory Committee on Labor Standards and Human Rights at the University of Michigan

Social compliance is an ever-evolving process. With the FLA's renewed focus on training, education, and alignment with their Workplace Code of Conduct, collegiate licensees are able to build a stronger CSR program and meet the expectations of our stakeholders. By affiliating with the FLA, licensees also have the opportunity to add their voices to global policy debates that have an effect on workers' lives. In 2014, we were proud to join with the FLA and eight other brands sourcing from Cambodia to support freedom of association, collective bargaining, and a fair minimum-wage setting process in that country.

— Steve King, Vice President of Tailgate Clothing Company, FLA Category C Licensee

to stakeholders among all of our constituents, organized in-person meetings and online webinars, and ultimately produced a new plan to more effectively enact the compensation element of the FLA Workplace Code of Conduct. Since the FLA was established in 1999, the organization has faced challenges in ensuring fair compensation for workers, and we are proud that the organization has taken clear and concrete steps forward on this issue in 2014. As our outgoing president stated as we developed this work plan, “it’s no exaggeration to say that together we are tackling one of the biggest social responsibility challenges of our time.”

FINANCIAL AND ORGANIZATIONAL STABILITY

Finally, as noted on p. 51, during 2014 the FLA was returned to a position of financial and organizational health, with balanced books and

an enthusiastic team. The staff thanks the FLA affiliates for their steadfastness and support, the FLA Board for its guidance, and the FLA’s peers and allies in the world of social compliance for their continued interest in working with the FLA to protect the rights of workers worldwide.

The staff looks forward to continuing along the trajectory charted in 2014 under the next FLA leadership. This means continued improvement of all areas of progress from 2014, further enhancement of the organization’s accountability and transparency mechanisms, and worker-focused responses to the changing landscape of social compliance. Together, we are committed to the goal of fairness for all workers – fair compensation, freedom of association, collective bargaining rights, a safe and healthy workplace – in every supply chain touched by the Fair Labor Association.

— *The Fair Labor Association global staff*

FLA’s inclusive approach is unique in terms of incorporating the suppliers’ voices to address the complexity of global value chain. It’s important that brands and suppliers are able to have dialogue together on issues of importance to both of us, and that has a direct effect on the well-being of workers. The FLA is able to facilitate conversations between buyers and suppliers, as at their 2014 discussion panel on social insurance, and this interconnected momentum cultivated by FLA is crucial to the industrial sustainability.

— *Wesley Tsai, Pou Chen Group, FLA Participating Supplier*

The FLA’s work to understand the root causes of human rights abuses in supply chains is key for guiding FLA-affiliated companies toward improving purchasing practices, or other behaviors companies can control, to improve working conditions. As a company close to completing FLA accreditation in 2014, prAna used the FLA Principles of Responsible Sourcing to assess the effectiveness of our headquarter-level social compliance program and develop a robust Responsible Sourcing Manual. These tools guide our sourcing and production decisions in hopes to be a better partner to our suppliers in the commitment towards social responsibility.

— *Nicole Bassett, Sustainability Director, prAna, FLA Participating Company*

Since 2011, the Stop Child Labour Coalition (SCL) has had a productive relationship working with the FLA in the Turkish hazelnut sector and in 2014 we intensified our cooperation by exploring additional joint projects in the footwear and garment sectors. Stop Child Labour appreciates the FLA’s specific methodology as well as the transparency of its results. By working with local experts and stakeholders the FLA achieves an understanding of incidences of child labor and other labor rights violations, including in the more ‘invisible parts’ of the supply chain. We find the collaboration between the FLA and SCL to be inspiring, complementary, and leading to results of which we both can be proud.

— *Leonie Blokhuis and Gerard Oonk, Stop Child Labour Coalition*

Year in Review



1. Supply Chain Issues Around the World

The FLA took action in 2014 on freedom of association in Cambodia, migrant workers' rights in Turkey, social insurance in China, and more.

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2. Fair Wages for Workers

In 2014, the FLA developed a plan to help affiliated companies enact their commitment to fair compensation and hold them accountable for progress.

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3. Factory-Level Due Diligence

FLA factory assessments found 70 percent of facilities falling short on emergency evacuation preparedness, and more than half requiring excessive hours of work.

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4. Farm-Level Due Diligence

Agricultural assessments found progress on health and safety, while issues like minimum wages and child labor continue to pose challenges.

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5. Supply Chain Research

FLA research on conditions for women in cocoa-producing communities earned praise from an independent analysis conducted by Oxfam.

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6. Accreditation for Social Compliance Programs

With the accreditation of New Balance's social compliance program in 2014, the number of accredited companies affiliated with the FLA rose to 20.

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ISSUE BRIEFS IN 2014

In August 2014, the FLA began producing a regular series of briefs on current issues of importance to companies sourcing from global supply chains. The first of these issue briefs focused on minimum wages in Haiti – a sourcing country for several FLA affiliates where minimum wages vary in the garment industry, with one legal daily rate and one legal piece rate. The FLA's issue brief affirmed that piece-rate workers must be paid a rate high enough that they can meet the legal minimum daily rate without working overtime.

Find all of the FLA's issue briefs online at:

<http://www.fairlabor.org/global-issues/issue-briefs>

Taking on Supply Chain Issues Around the World

FLA-affiliated companies source from all across the globe, in more than 50 countries, with varying labor-rights environments. Some sourcing countries have no functional minimum wage, others do not respect workers' rights of freedom of association and collective bargaining, and still others pose unique challenges related to health and safety standards, the rights of migrant workers, or the employer provision of social benefits.

To help affiliates understand FLA requirements in these varying environments, the FLA monitors workers' rights developments in sourcing countries, and provides information and guidance to companies. Here are three examples of how, in 2014, the FLA has worked to address specific issues in different countries:

CAMBODIA: FREEDOM OF ASSOCIATION AND FAIR WAGES

After the government of Cambodia cracked down on a weeklong garment workers' strike in January of 2014, resulting in the deaths of four workers (and injury and imprisonment of many others), the FLA, along with many brands and unions, denounced the government's actions.

The FLA went on to urge all of its affiliates sourcing from Cambodia immediately to contact their suppliers to reiterate their brands' commitment to respecting workers' right to freedom of association and fair compensation. With the minimum wage at that time equaling around \$95 per month in Cambodia, workers had organized the strike to protest low wages in garment factories and to demand a minimum wage of \$160.

Throughout the year, the FLA continued to monitor the situation, conducting a panel discussion on wages in Cambodia at the October 2014 Board of Directors meeting. The panel included a sustainability manager for an FLA affiliate sourcing from Cambodia, a union representative, and two US government experts on Cambodia. Panelists spoke about the crisis of low wages in Cambodia, elaborating on how low wages in that country are linked to many other serious issues that affect workers' well-being, including malnutrition, excessive overtime, and poor industrial relations.

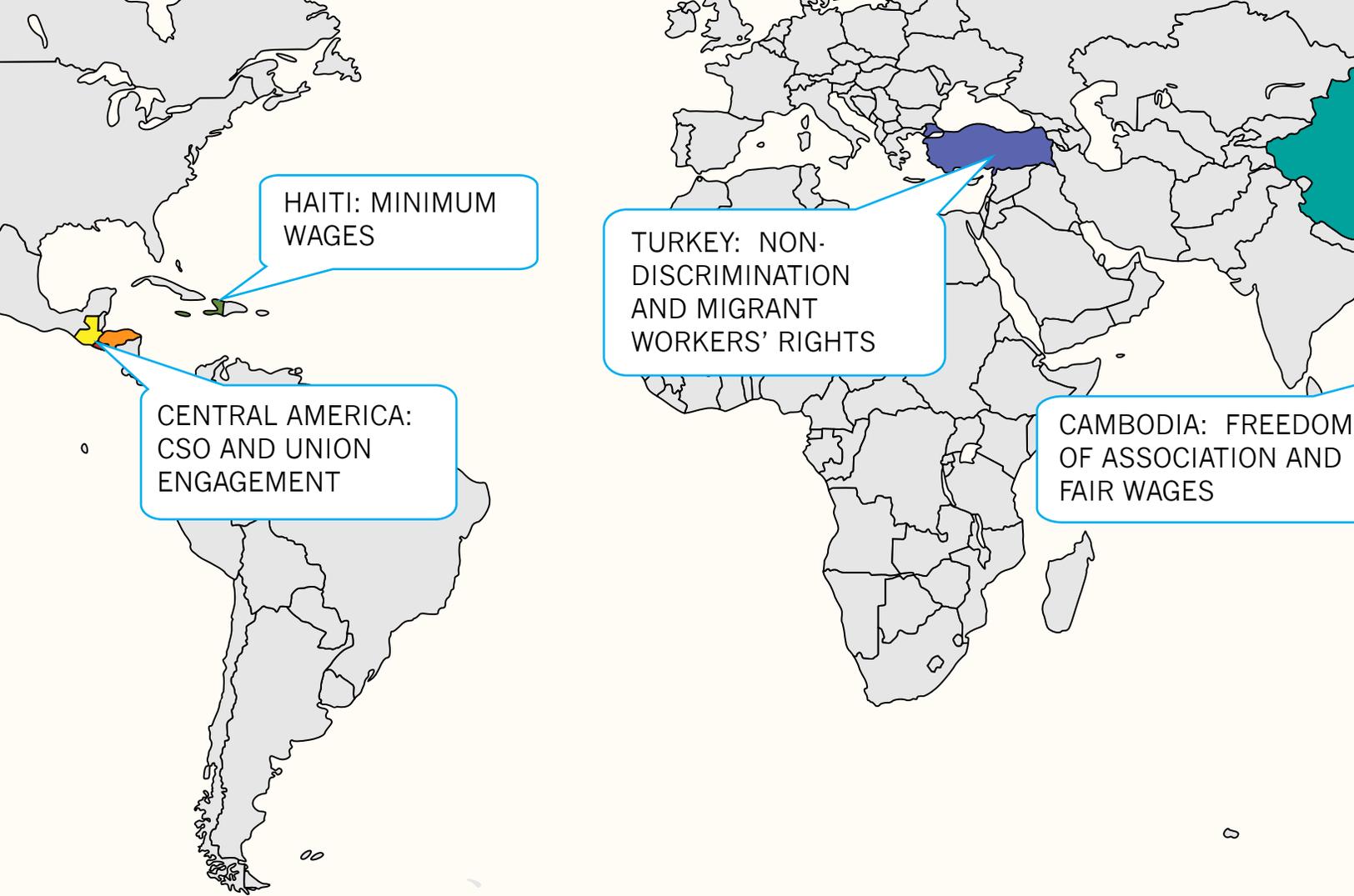


When a new round of minimum-wage negotiations began toward the end of the year, the FLA coordinated with nine affiliated brands sourcing from Cambodia to draft a letter to the government in support of higher wages. “We support objective, inclusive, and productive national wage-setting negotiations that result in a minimum wage that is fair for workers,” the letter stated. “To this end, we commit to purchasing practices that help build sustainable supply chains, by incorporating locally negotiated wage increases into our FOB prices.”

As of December 2014, the minimum wage in Cambodia had been raised to \$128 per month. The brands that signed the FLA’s letter in support of higher wages and collective bargaining were: adidas Group, Ash City/Alphabroder, Creative Apparel Concepts, J. America, Nike, New Balance, prAna, Puma, and Tailgate Clothing Company.

Find the FLA’s letter on Cambodian minimum wages at: <http://www.fairlabor.org/blog/entry/9-fla-affiliated-brands-send-letter-cambodian-government-wages>

“We support objective, inclusive, and productive national wage-setting negotiations that result in a minimum wage that is fair for workers [and] we commit to purchasing practices that ... incorporat[e] locally negotiated wages.”
— 9 FLA brands, to the government of Cambodia



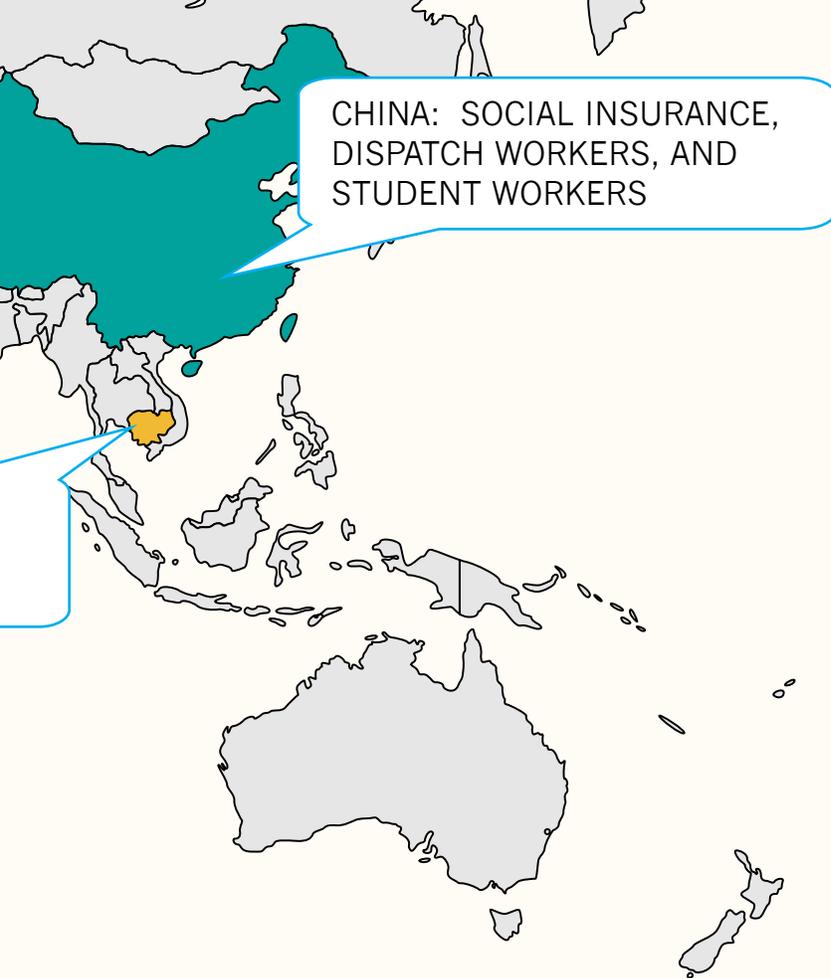
CHINA: SOCIAL INSURANCE, DISPATCH WORKERS, AND STUDENT WORKERS

In April of 2014, workers in Dongguan organized one of the biggest strikes in China’s history, demanding that workers in local footwear factories operated by Pou Chen, an FLA-affiliated Participating Supplier, receive full and accurate payments of their social benefits, in accordance with national Chinese law.

The law in China requires employers to contribute to five forms of social insurance (pension, medical, unemployment, work-related injury, and maternity), and to the Housing Provident Fund, a program designed to assist workers with their housing costs. Enforcement of the law is widely acknowledged to be lax, and local governments have issued unofficial “waivers” in the hopes of attracting business by lowering costs.

For these reasons, some brands sourcing from China may have misunderstood how the law is to be applied, so the FLA published a September 2014 issue brief clarifying that these social benefits are legally required in China – with no exemptions – and therefore they are also required under the FLA Workplace Code of Conduct.

In October of 2014, the FLA convened a panel discussion on social benefits in China featuring the perspectives of a representative from a brand sourcing from China, a CSO representative with expertise on China, and the Participating Supplier that faced the social insurance strike. Brands, suppliers, and CSOs discussed the issue following the panel’s presentation, confronting the question of how brands and suppliers can negotiate cooperative strategies for implementing full social insurance contributions for all workers. For its part, Pou Chen, the FLA Participating Supplier



FLA Participating Supplier Pou Chen committed to achieving 100-percent compliance on social benefits, with a verification visit by the FLA scheduled for 2015.

on the panel, shared its commitment to achieve 100-percent compliance on social benefits, with a verification visit by the FLA scheduled for 2015.

Later in October, FLA CSO Engagement staff reported on workplace issues faced by workers in China by consulting with labor-rights organizations based in Hong Kong, where CSO staff say they are more at liberty to speak candidly than their counterparts in mainland China. CSOs confirmed that non-payment of social insurance is a widespread problem in general and also cited accurate payment of social insurance for “dispatch workers” as an area of special concern. Under the

labor dispatch system, the dispatch agency, not the factory, is the worker’s legal employer, but the factory must still monitor to ensure that dispatch workers’ social insurance is paid. To curtail the misuse of dispatch workers, by February 29, 2016 national law requires that employers limit the size of their dispatch workforce to ten percent.

In addition, the CSO team highlighted factories’ increasing use of vocational students from surrounding villages as a supplemental workforce during peak seasons. CSOs reported that while the work may be described as “educational” for the students, their recruitment is often initiated by the factory apart from any formal curriculum, and then made into a graduation requirement – which risks violating prohibitions against forced labor.

Find the FLA’s issue brief on social insurance in China at: <http://www.fairlabor.org/report/social-insurance-china>

TURKEY: NON-DISCRIMINATION AND MIGRANT WORKERS' RIGHTS

By September of 2014, the number of Syrian refugees living in Turkey had climbed to more than one million – 1.03 million registered with the United Nations High Commissioner for Refugees, or as many as 1.35 million, as estimated by the Turkish Interior ministry.

Without an accepted legal status in Turkey, refugees looking for work become vulnerable to many forms of exploitation, including below-minimum wages, excessive working hours, and unsafe working conditions. The FLA published an issue brief in the fall of 2014 urging FLA affiliates not to use the employment of refugees – who are ineligible for social security and tax payments by employers – to generate unfair and exploitative cost-savings.

“Neither suppliers nor brands should profit from civil war refugees’ desperate situations,” the FLA wrote, “If suppliers find refugees in their supply chains, brands and suppliers must cooperate to develop innovative solutions ... [for example], setting aside a fund to provide benefits for migrant workers.”

In November, the FLA developed 15 specific recommendations for the government of Turkey, at their request, providing suggestions for the Ministry of Labor’s Temporary Protection Regulations for refugees. The recommendations included age verification suggestions to detect and remediate instances of child labor, potential eligibility for short-term benefits (in lieu of social security, to avoid the cost gap between local workers and refugees), and the production of basic Turkish labor law materials in Arabic to be posted wherever refugees are working.

“If suppliers find refugees in their supply chains, brands and suppliers must cooperate to develop innovative solutions ... [for example], setting aside a fund to provide benefits for migrant workers.”
– the FLA on Syrian refugees working in Turkey

In December, FLA CSO engagement staff traveled to Turkey to conduct further research on high-level labor concerns in that country. The CSOs consulted by FLA staff reported very limiting restrictions on freedom of association and collective bargaining in Turkey, widespread disregard of the childcare requirement for factories in Turkish law, on-the-job discrimination against women and Kurds, and more.

The CSOs further reported worsening discrimination against Syrians in the workplace, cited instances of refugees being forced to pay higher broker fees to find a job than native citizens, and high prices charged to refugees for employer-arranged housing. At the end of 2014, the FLA began laying the groundwork for a multi-stakeholder roundtable on the rights of refugees in Turkey, to be held in early 2015.

Find the FLA’s issue brief and recommendations for the government of Turkey at: <http://www.fairlabor.org/report/syrian-refugees-working-turkey>



CSO AND UNION ENGAGEMENT IN CENTRAL AMERICA

In late 2014, FLA CSO engagement staff consulted with 24 unions and civil society organizations in El Salvador, Guatemala, and Honduras, compiling insights from groups closest to workers in those countries for the benefit of FLA assessors and affiliates. In all three countries, worker advocates reported a hostile environment for workers who wish to organize, difficulties and irregularities in accessing social benefits, and discrimination against women – especially older women

or pregnant women. Also in Honduras and Guatemala, CSOs and unions reported widespread non-compliance with childcare regulations that require daycare centers to be present in factories of a certain size. The FLA distributed these reports to all affiliates, as a guide to the kinds of risks companies should be looking for when choosing a sourcing factory, or assessing existing facilities in their supply chains.

Fair Wages for Workers

In 2014, the FLA developed a plan to help affiliated companies enact their commitment to fair compensation and hold them accountable for progress.

“The vast majority of clothing brands are making products in factories whose workers live below the poverty line—both in the U.S. and abroad. We should all feel very uncomfortable with this and be using our power and resources to begin raising wages. The FLA has developed the first holistic plan I’ve seen that would make living wages a reality in the global supply chain. We believe it’s an achievable objective for companies of all shapes and sizes.”

— Cara Chacon, Director of Social & Environmental Responsibility, Patagonia, FLA Participating Company

“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.”

These words begin the code element governing compensation standards in the FLA Workplace Code of Conduct, as amended in 2011 by the organization’s Board of Directors. Like many early codes of conduct followed by multi-national corporations manufacturing worldwide, the original language of the FLA’s code focused on paying minimum wages—or prevailing industry wages when they are higher than the legal minimum—and providing legally mandated benefits.

In time, the business, university, and civil society representatives on the FLA Board recognized that this language, while perceived as an adequate starting point initially, had historically fallen short of ensuring that workers’ wages can provide a decent living for them and their families. As a number of labor advocates and multi-stakeholder initiatives have rightly pointed out, in many parts of the world, minimum wages simply are not able to provide for workers’ basic needs, and don’t come close to providing discretionary income.

That’s why the amended compensation element of the FLA Workplace Code of Conduct goes further, declaring fair compensation (“basic needs [plus] discretionary income”) as a worker’s right that companies joining the Fair Labor Association must affirm within their own codes of conduct.

In the two years following the adoption of the new code language, as part of its annual factory assessment process, the FLA began collecting information on its affiliates’ success at providing fair compensation, by asking workers whether their wages met their basic needs. In the majority of these assessments, across all countries and all sectors covered by the FLA, workers reported that their wages in fact did not rise to a level sufficient to meet their basic needs.

FLA assessments in manufacturing and agriculture also pointed to violations of wage laws—something no worker should have to

experience. Furthermore, in key strategic sourcing countries such as Vietnam and Bangladesh, effective collective bargaining at the sectoral level was not (yet) an option for workers. These findings and conditions motivated the FLA to find a way to help ensure that its affiliated brands and suppliers act out their fair compensation obligations.

The result, in the fall of 2014, was the drafting of the FLA's Fair Compensation Work Plan.

FLA staff presented a white paper on wages to the Board of Directors at its October 2014 meeting, drafted a concrete plan based on Board feedback, and revised the plan based on input from all three FLA stakeholder groups – businesses, universities, and unions and civil society – gathered during two months of outreach, webinars, and meetings in November and December.

Historically, multi-stakeholder organizations like the FLA have struggled to make progress on this issue due to disagreements over scope, methodology, and urgency between various stakeholder groups. The drafting of the Fair Compensation Work Plan, including wide solicitation of feedback and input, required FLA staff to address these disagreements head-on, and to achieve a level of consensus on the urgency of the problem and the necessity of developing a fresh approach.

The approach outlines clear steps for making progress over the next three years and beyond, including tackling pay violations (a prelude in some places to progress towards fair compensation), an unprecedented 2015 wage-data collection effort (by the FLA, by companies, and with research partners collecting data from workers via mobile phones), fair compensation benchmarking in key sourcing countries, case studies on the most effective ways to achieve fair compensation (including protection of organizing rights and support for sectoral collective bargaining), and future annual compensation reports to be published by the FLA beginning in 2016. Furthermore, the new approach calls for FLA-affiliated companies to design and establish their own functioning fair compensation plans by 2017, subject to accountability review and public reporting by the FLA.

By the end of 2014, the FLA had completed this plan, and prepared to present it to the Board of Directors in February of 2015.*

** In February 2015, the FLA Board approved implementation of the Fair Compensation Work Plan.*

“I see the FLA Fair Compensation Work Plan as an investment in our most important resource, the worker, which will be repaid by improved efficiency and quality. This is a vital initiative, though limited by the size of FLA membership. A global effort should be made to bring on board all brands, retailers, NGOs, and governments to support the suppliers who bear the brunt of the investment. Let the world come together without egos and vested interests to improve the living standards of workers who cannot make ends meet, to the benefit of everyone.”

— Leslie Shull, Global Compliance Director,
Delta Galil Industries,
FLA Participating Supplier

“In 2014, the FLA took an important step forward toward implementing its commitment set out in its 2011 revised Code of Conduct that workers have a right to wages and other compensation that meet their basic needs. To demonstrate its seriousness, the FLA must resolve critical issues, such as ensuring a role for local stakeholders in defining living wage benchmarks, and strengthening accountability mechanisms for its member companies; however, the decision to make the living wage an organizational priority for the next five years signals that the FLA is prepared to tackle one of the most challenging issues in global supply chains today.”

— Lynda Yanz, Executive Director,
Maquila Solidarity Network



DUE DILIGENCE FINDINGS ON COMPENSATION

The Fair Compensation Work Plan affirms that for companies to make real progress towards fair compensation, violations of pay laws must be treated with the utmost seriousness, and remediated without delay.

While findings of pay violations during the 2014 FLA assessment cycle were not the norm, assessors found illegal wage-related discrimination in five percent of FLA factory visits, and non-payment of minimum wages in nine percent. In 16 percent of factory visits, assessors found violations relating to unpaid or miscalculated overtime. Assessors also found routine violations of the legal requirement to provide social benefits to workers in China, with only one out of 48 assessed factories found to be calculating and providing all social benefits correctly.

Compensation-related violations in FLA Factory Assessments, 2014

Violation
Failure to maintain accurate payroll records
Maintenance of false payroll records
Unpaid overtime
Non-payment of minimum wage
Wage-related discrimination



I IN 2014

The most widespread wage-related findings in factories in 2014 – which could obscure further pay violations – were related to accurate record-keeping. FLA assessors found 24 percent of factories failed to maintain accurate payroll records, while another 16 percent of assessed factories were found to be actively falsifying these records. FLA agricultural assessments confirm that lack of accurately maintained payroll records is an even more serious problem on farms than in factories, with fewer than 10 percent of farms visited in 2014 found to be keeping a consistent record of wages paid. Also, at more than a quarter of the farms visited in 2014, assessors found non-payment of legal minimum wages. (For more on minimum wages in agricultural assessments, see p. 28.)

Number of findings (from 129 factory assessments)	Percentage
31	24%
20	16%
20	16%
12	9%
7	5%

“Until the FLA staff began developing its Fair Compensation Work Plan in 2014, many brands and licensees lacked vision regarding the steps required to achieve fair wage compliance. Universities affiliate with the Fair Labor Association with the expectation that their licensees will adopt sourcing standards compliant with university and FLA Codes of Conduct, and will ensure that workers are paid a fair wage. We are hopeful that the implementation of the plan will help make progress on this long-standing issue; however, we know that success is not guaranteed without genuine effort, commitment, and universal support from all stakeholders.”

— Mike Low, Director of Licensing,
University of Notre Dame

Factory-Level Due Diligence

In-Depth Assessment of Adherence to International Labor Standards

In 2014, the FLA conducted a total of 129 assessments of facilities owned or contracted by FLA Participating Companies, Participating Suppliers, and Category B collegiate licensees in 21 countries, in facilities estimated to employ more than 180,000 workers.

The FLA conducts two forms of Sustainable Compliance Initiative (SCI) assessment, known as “Baseline” and “Foundational.” Baseline assessments, the more in-depth of the two, were conducted in 2014 at 15 facilities owned by Participating Companies or Suppliers. These assessments include a root-cause analysis for every finding, along with recommendations for improvement, both for findings marked as requiring “immediate action” (such as when fire exits are blocked) or “sustainable improvement” (such as the need to perform more frequent evacuation drills). Foundational assessments, conducted at the remaining 114 contract facilities, include FLA recommendations only on those findings requiring immediate action (and do not include a root-cause analysis). Overall, in 2014, the FLA found 37 percent of findings requiring immediate action, and 63 percent requiring sustainable improvement.

When FLA assessors visit factories to conduct either form of assessment, they measure the factory’s success at fulfilling each of the nine elements of the FLA Workplace Code of Conduct. To elaborate on the specific requirements for each code element, and to guide assessors’ reporting on working conditions in each factory, the FLA has developed a comprehensive list of benchmarks, going deeper on all aspects of each of the nine broad labor standards.¹ For example, under the

FLA Code element that recognizes workers’ right to freedom of association, the Code includes discrete benchmarks specifically forbidding the hiring of replacement workers to break up a strike, deduction of union fees without workers’ consent, or practicing any kind of anti-union discrimination in the workplace, among several others.

The most noteworthy benchmarks per code element to trigger findings of non-compliance in 2014 are explained below.

EMPLOYMENT RELATIONSHIP

ER.1 General/Human Resource Management Systems



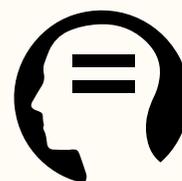
Nearly 90 percent of factories assessed in 2014 included some form of a finding related to “general and human resource management systems.” The proliferation of these findings relates to the FLA’s revision of its Code of Conduct in 2011, and the simultaneous adoption of the SCI methodology for factory assessments. Prior to 2011, an Employment Relationship element did not exist in the FLA Code. With the sharpening of the FLA’s focus on root-cause analysis and sustainable improvement of overall systems within factories, factory assessors began to dig deeper to review whether factories have adequate policies, procedures, record-keeping, and fully staffed human resources teams to support sustainable improvement in all aspects of factory management, related to other parts of the Code.

NON-DISCRIMINATION

ND.1 General Compliance, Non-Discrimination

ND.2 Recruitment and Employment Practices

ND.8 Protection and Accommodation of Pregnant Workers and New Mothers



Three benchmarks stand out under the non-discrimination code element, with nearly a third of all 2014 assessments including a general non-compliance finding, while around 28 percent of assessments included a discrimination finding either related to recruitment practices, or related

¹ The entire list of benchmarks is available on the FLA website at <http://www.fairlabor.org/our-work/code-of-conduct>



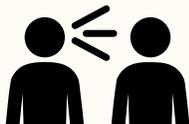
When FLA assessors visit a factory to conduct a Sustainable Compliance Initiative (SCI) assessment, their review includes components like a physical inspection during a factory walk-through (left), document review, and interviews with workers (right).

to an employee’s pregnancy. The most common finding was the absence of special accommodations for pregnant workers such as limitations on their hours of work, or protection from workplace hazards. Many factories also lacked any system to identify pregnant workers or nursing mothers in order to establish these protections. The majority of the general and recruitment-related discrimination findings were reported in China, where factories are required by law to recruit and hire disabled workers, or to pay into an employment security fund for the disabled. Factories found to be doing neither are reported as violating both the first and second benchmarks of the non-discrimination code element. Failure to meet the legally mandated quota for disabled workers was also a common finding in Turkey, along with other discriminatory hiring practices.

HARRASSMENT OR ABUSE

H/A.1 General Compliance Harassment or Abuse

H/A.2 Discipline/Monetary Fines and Penalties



Around 20 percent of assessed factories included general findings related to non-compliance with national laws on harassment or abuse. For example, in El Salvador, by law, each workplace must have a sexual harassment prevention program in place, and in Vietnam, local law forbids workplace disciplinary actions against pregnant workers. These are included under the

“general compliance” category along with other more straightforward findings, such as when a factory assessor in India directly witnessed three instances of physical abuse by a supervisor during the SCI assessment. A further 16 percent of factory assessments included a finding that factory management had either charged workers a monetary fee as a disciplinary measure or had such monetary fines in the factory’s workplace regulations. The FLA Workplace Code of Conduct forbids this practice as a way of punishing workers for poor performance, or for violating workplace rules; as such, it is considered a finding of abuse.

FORCED LABOR

F.7 Workers’ Ability to Terminate the Employment Relationship



A number of factors that can compromise a worker’s ability to terminate his or her employment relationship, or to leave work after their normal working hours, are captured under the forced-labor “Freedom of Movement” benchmarks in the FLA Code. For example, when an employer or recruitment agency imposes recruitment fees or deposits, a worker risks being forced to extend an undesired employment situation to pay off these debts. Similarly, when an employer holds or hinders access to workers’ passports or other legal identification, a worker may be unable to leave factory grounds, or may be unable to terminate employment without negotiating the

return of these papers. This benchmark also includes employment situations in which piece rate production targets are set so high that employees are forced to work beyond regular working hours in order to earn the legal minimum wage. In 2014, workers faced employment practices like those described above in 20 percent of assessed factories.

CHILD LABOR

CL.2 Child Labor

CL.4 Employment of Young Workers



In five 2014 assessments, in Turkey and China, assessors found violations of the “Employment of Young Workers” benchmark, meaning that factories were not in compliance with national law governing the employment of those younger than 18, but older than the minimum employment age. Minimum working age is 15 in Turkey, and 16 in China. The three findings in Turkey related to factories not providing young workers with annual leave as required by law, or requiring them to work longer hours than legally permitted for young workers. In China, assessors found two factories failing to comply with a national law requiring employers to provide free health examinations for workers younger than 18. Also, in China, in a different factory, assessors found one 15-year-old worker, which in China is considered a child labor finding. One root cause identified by assessors was that this factory had no age-verification procedures in place for potential hires.

FREEDOM OF ASSOCIATION

FOA.2 Right to Freely Associate

FOA.11 Employer Interference in Election and Administration of Unions



Even when a factory nominally has a union in place, FLA assessors consult with workers and review documents to investigate the legitimacy of the union and its independence from factory

In 25 percent of factories assessed, the FLA found factory management interfering in the organizational activities of the union.

management. In 25 percent of factories assessed, the FLA found factory management interfering in the organizational activities of the union, or even controlling the union entirely. For example, in two factories in Mexico, assessors found that factory management was entirely in control of union elections, with no participation whatsoever by workers. Assessors observed similar situations in factories in Bangladesh, India, and Taiwan, but by far the most violations of this benchmark were observed in China and Vietnam, where there is no legal recognition of the right to freedom of association. In several factory visits in these countries, assessors observed that in the absence of an official trade union, a factory may maintain a nominal “workers’ representative body,” which is actually elected and administered entirely by management.

HEALTH, SAFETY, AND ENVIRONMENT

HSE.5 Evacuation Requirements and Procedure

HSE.9 Chemical Management and Training

HSE.17 Ergonomics



In 70 percent of factories assessed, the FLA found violations related to emergency evacuation preparedness. Elements of this benchmark include the requirement to post evacuation procedures, train workers on these procedures, enact evacuation drills annually, ensure aisles and exits are not blocked, and ensure alarm systems are functional. In 62 percent of factories, assessors found ergonomics-related violations, which relate, for example, to the design of workstations to minimize bodily strain, and the provision of lifting-belts to workers who must lift heavy weights. In 48 percent of factories, assessors found violations related to management of hazardous chemicals and training of



NOTABLE FEATURES

Worker-focused factory programs commended by FLA assessors

Beyond monitoring for compliance with the requirements of the FLA Workplace Code of Conduct, FLA assessors sometimes find especially noteworthy factory features that benefit workers, and capture these practices in the public reports published on the FLA website. In 2014, assessors reported on factories that have established especially robust and effective grievance mechanisms, that provide paid leave for workers to pursue personal development goals, and that exceed local legal requirements on employee benefits such as number of days available for paternity leave.

In one especially noteworthy case in 2014, assessors reported on a sporting goods factory in Shanghai producing for adidas

and arena Group that had received an award from the local authorities for exemplary performance in providing workers with their Housing Provident Fund benefits. This facility was the only factory assessed during the FLA's 2014 SCI cycle in China that was found to be paying its Housing Provident fund contributions completely and accurately, and it was one of only 10 percent of assessed factories found to be paying social insurance correctly. In the "notable features" remarks, assessors reported that in addition to full compliance with the national law on employer-contributions for social benefits, this particular factory bears the cost of its workers' contributions as well.

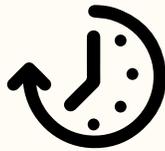
In 70 percent of factories assessed, the FLA found violations related to emergency evacuation preparedness.

workers in their proper handling. These violations can include unlabeled or mislabeled chemicals, chemicals not labeled in the local language, or chemicals stored in insecure or unventilated locations.

HOURS OF WORK

HOW.1 General Compliance, Hours of Work

HOW.2 Rest Day



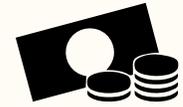
In more than half of all 2014 assessments, and in every country assessed but one, the FLA found violations related to excessive hours of work. In one particularly egregious case in Jordan, the FLA found workers' typical week to consist of six twelve-hour days, for a total of 72 hours of work per week, including 24 weekly overtime hours. In this factory, the production plan always includes overtime, and weekly working hours exceeded 60 hours per week for 85 percent of the workforce in 2014. While the factory itself must fix its non-compliance with legal working hours, root-cause analyses in FLA assessments show that brands sourcing from factories that continually rely on overtime to meet production targets also have a role to play in providing better order forecasts to the factory, and setting reasonable production targets that don't force unrelenting overtime. Excessive hours of work also typically coincide with violation of the requirement to provide workers with one day of rest in every seven, as was the case in more than a quarter of the assessed factories.

COMPENSATION

C.15 Record Maintenance

C.16 False Payroll Records

C.17 Workers' Awareness and Understanding of Compensation



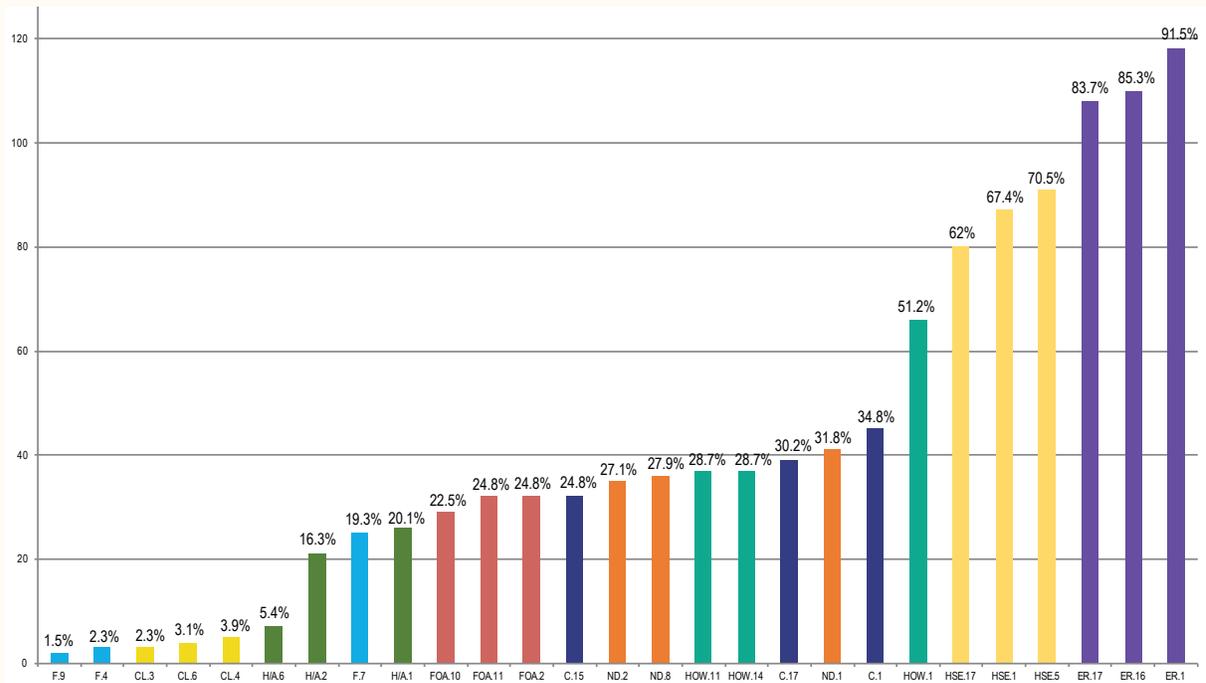
In 30 percent of factories, assessors found that management had taken insufficient action to ensure that workers understand the wages and benefits they are owed, how wages are calculated, and any bonus or incentive systems that may be in place. This finding raises the risk of workers being unable to detect compensation violations on their own. Similarly, because many factories failed to maintain accurate payroll records or actively maintained false payroll records, assessors found it difficult or sometimes impossible to verify compliance with respect to compensation. In 2014, 24 percent of assessments found inaccurate payroll records, and 16 percent found false records. For more on compensation-related violations found in 2014, such as non-payment of minimum wage, or wage-related discrimination, see p. 18.

In more than half of all 2014 assessments, the FLA found violations related to excessive hours of work.

FLA company affiliates are expected to submit remediation plans to address each finding of non-compliance and to provide the FLA with regular updates on the remediation progress to be included in reports published on the FLA's website. The findings are intended to inform remediation plans not only in the assessed factory, but to help a company improve working conditions across its entire supply chain. While some findings might be unique to a specific factory, the majority of the workplace issues identified in the assessments are widespread and therefore require a holistic approach in line with the FLA's Principles of Fair Labor and Responsible Sourcing and Production.

TOP BENCHMARK VIOLATIONS PER CODE ELEMENT

This graph ranks the top three benchmarks associated with findings of non-compliance in the 2014 SCI assessment cycle for each of the nine elements of the FLA Workplace Code of Conduct.



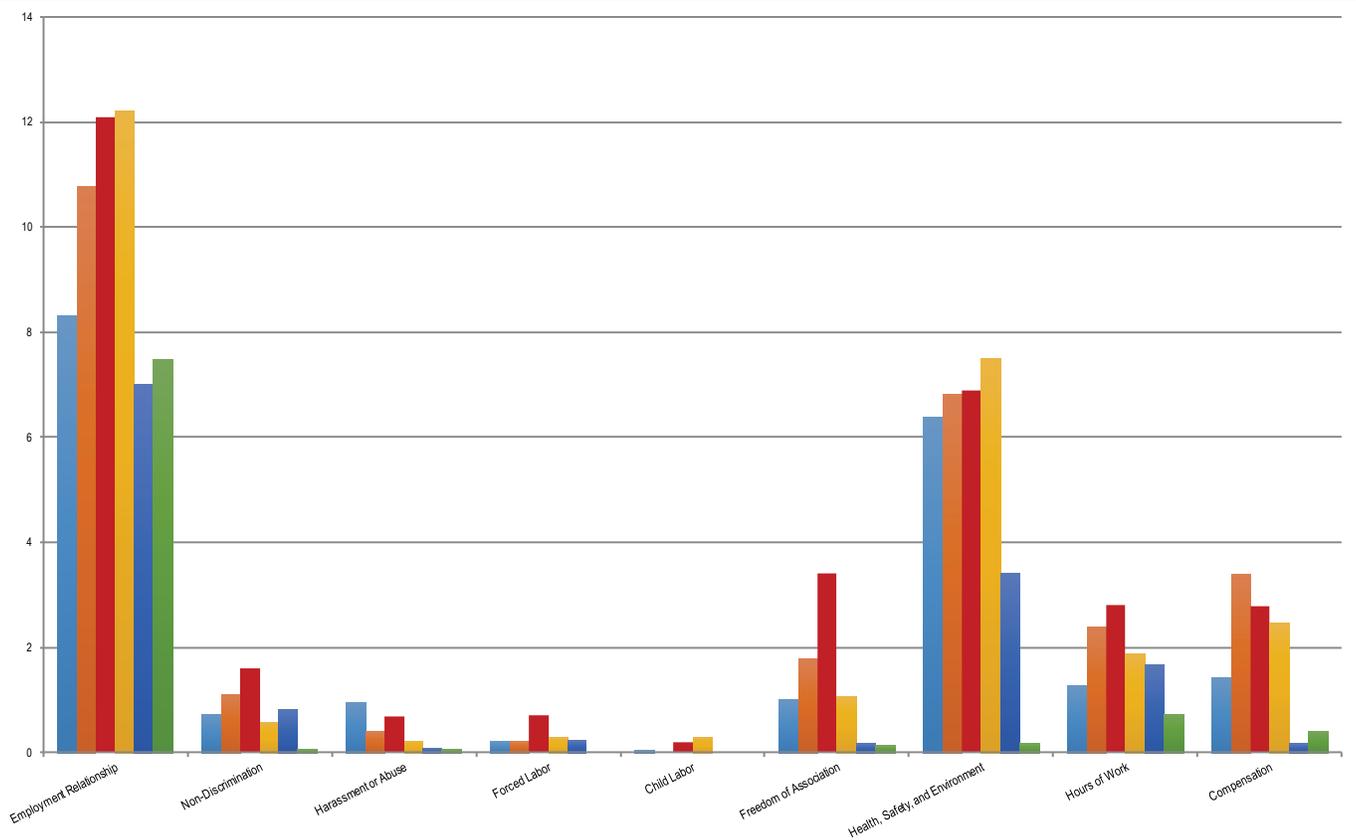
- EMPLOYMENT RELATIONSHIP**
 - ER.1 General/Human Resource Management Systems
 - ER.16 Employment Terms and Conditions/Communication
 - ER.17 Employment Terms and Conditions/Supervisor Training
- NON-DISCRIMINATION**
 - ND.1 General Compliance, Non-discrimination
 - ND.2 Recruitment and Employment Practices
 - ND.8 Protection and Accommodation of Pregnant Workers and New Mothers
- HARASSMENT OR ABUSE**
 - H/A.1 General Compliance Harassment or Abuse
 - H/A.2 Discipline/Monetary Fines and Penalties
 - H/A.6 Discipline/Psychological Abuse
- FORCED LABOR**
 - F.4 Freedom of Movement
 - F.7 Workers' Ability to Terminate the Employment Relationship
 - F.9 Personal Workers' Identification and Other Documents
- CHILD LABOR**
 - CL.3 Government Permits and Parental Consent Documentation
 - CL.4 Employment of Young Workers
 - CL.6 Young Workers Identification System
- FREEDOM OF ASSOCIATION**
 - FOA.2 Right to Freely Associate
 - FOA.10 Employer Interference in Formation or Operation of Unions
 - FOA.11 Employer Interference in Election and Administration of Unions
- HEALTH, SAFETY & ENVIRONMENT**
 - HSE.1 General compliance, Health, Safety, & Environment
 - HSE.5 Evacuation Requirements and Procedure
 - HSE.17 Ergonomics
- HOURS OF WORK**
 - HOW.1 General Compliance, Hours of Work
 - HOW.11 Annual Leave
 - HOW.14 Annual Leave/Wage Payments
- COMPENSATION**
 - C.1 General Compliance, Compensation
 - C.15 Record Maintenance
 - C.17 Workers' Awareness and Understanding of Compensation



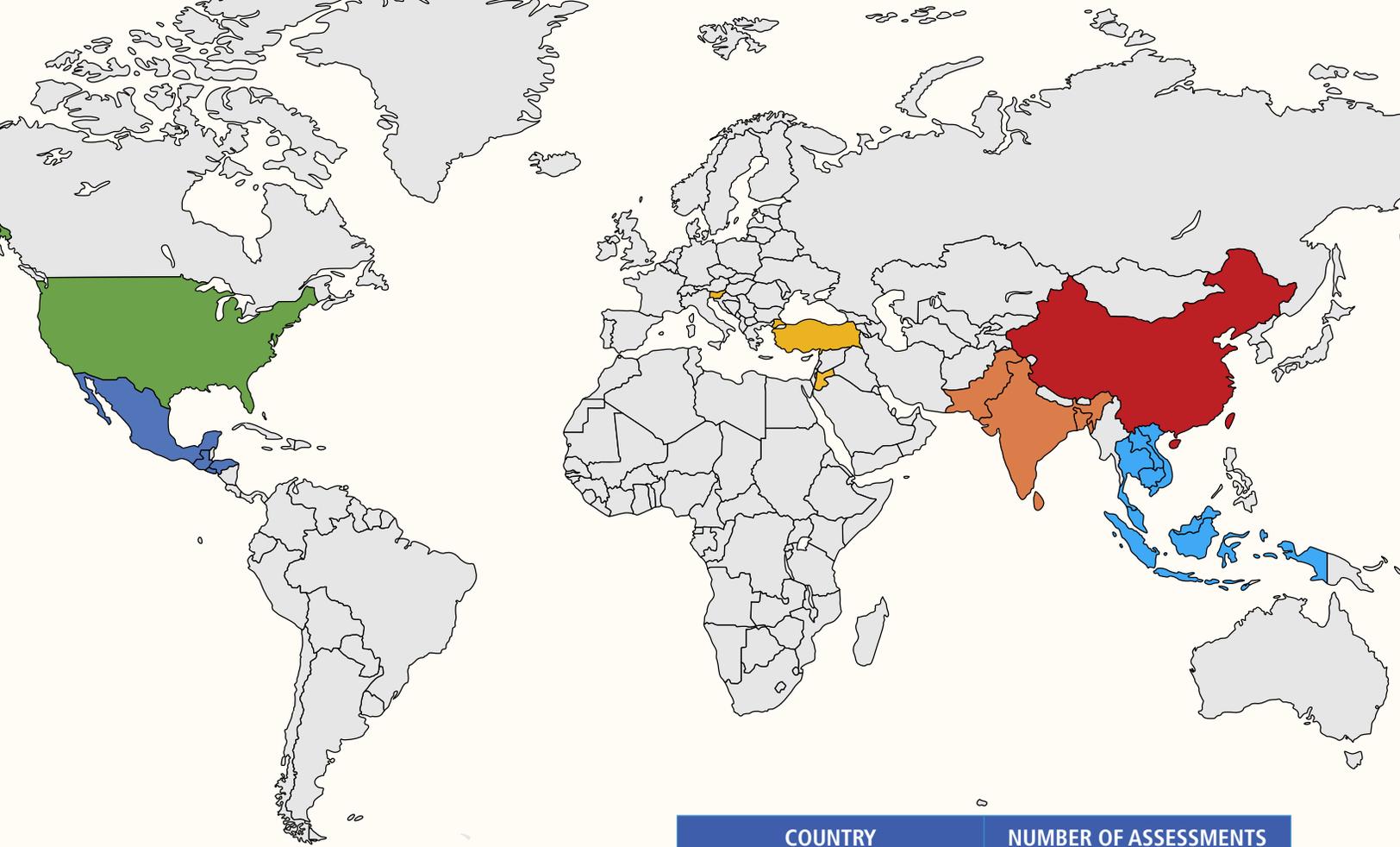
COMPARISON OF CODE ELEMENT VIOLATIONS BY REGION

This graph compares the average number of findings per FLA Code element in each of the regions where the FLA conducts assessments. The FLA conducted roughly comparable numbers of assessments (between 12 and 19) in the regions grouped as Southeast Asia; South Asia; Europe, the Middle East, and Africa (EMEA); Mexico and Central America, and the United States. In East Asia, due to the high numbers of factories in China producing for FLA affiliates, the FLA conducted 50 assessments.

In the assessment data used to produce this graph, “fair compensation” had not yet been assessed under the Compensation element of the Code of Conduct in the comprehensive way laid out in the Fair Compensation Work Plan under development in 2014.



- SOUTHEAST ASIA:** Cambodia, Indonesia, Laos, Malaysia, Singapore, Thailand, Vietnam
- SOUTH ASIA:** Bangladesh, India, Pakistan, Sri Lanka
- EAST ASIA:** China, Taiwan
- EMEA:** Jordan, Slovenia, Turkey
- MEXICO & CENTRAL AMERICA:** El Salvador, Guatemala, Honduras, Mexico
- UNITED STATES**



FLA FACTORY ASSESSMENTS IN 2014

COUNTRY	NUMBER OF ASSESSMENTS
China	48
USA	15
Turkey	12
India	9
Vietnam	7
Mexico	5
Bangladesh	4
Indonesia	4
Cambodia	3
Honduras	3
Pakistan	3
Thailand	3
El Salvador	2
Guatemala	2
Sri Lanka	2
Taiwan	2
Jordan	1
Laos	1
Malaysia	1
Singapore	1
Slovenia	1
TOTAL	129

Bringing FLA Code Compliance to Formal and Informal Agricultural Workplaces

The FLA counted four agricultural companies among its affiliates in 2014: Balsu, Nestlé, Olam, and Syngenta.

Altogether, the FLA conducted 44 farm-level assessments for these affiliates in 2014, visiting 666 farms, and interviewing more than 1,000 workers. The FLA conducted joint assessments of a shared supply chain for hazelnuts in Turkey, where together Balsu and Olam supply 99 percent of Nestlé's hazelnut volume. The FLA also assessed cocoa farms in Ivory Coast for Nestlé and Olam, and farms supplying seed to Syngenta in Argentina, Brazil, Hungary, India, Romania, Thailand, and Turkey.

Achieving compliance with the FLA Workplace Code of Conduct in agricultural settings presents challenges for companies that are different from those encountered in the final assembly factories for FLA affiliates manufacturing apparel, footwear, or electronics. For example, in some cases, such as in Thailand, no local regulations govern the agricultural sector at all, including no minimum wage standards – making adherence to the FLA Code that much more crucial. In other cases, while regulations may be in place, the agricultural sector as a whole may follow workplace norms that contradict elements of the FLA Code.

Among other issues, the FLA has found the following non-compliances to be complicated by prevailing practices in some agricultural supply chains.

HOURS OF WORK

The FLA Workplace Code of Conduct requires a workweek not to exceed 60 hours (including overtime work), and for workers to receive at least one day of rest in every seven-day period. In an agricultural supply chain, which follows the rhythms of the growing season, much of the work must occur during peak activity times when the harvest is ready, allowing for less flexibility with working hours.

Harvesting time cannot always be planned very precisely due to external factors like weather conditions, affecting workers' hours without any advance notice. As a result, in many cases, FLA assessors find that workers exceed the allowed 60 hours of work, or do not receive their rest day. In many more cases, especially in farm visits in Ivory Coast and India, FLA assessors are unable to verify the level of compliance related to hours of work because many farms keep no records of workers' time. Part of the FLA assessment process includes encouraging farmers to keep accurate records to confirm that workers are being treated fairly.

CHILD LABOR

Similarly, FLA assessors sometimes find it difficult to corroborate the presence of child labor on farms, if no proof-of-age documentation is available. Farmers may fail to collect documentation, but also, in rural areas, sometimes documentation does not exist. Workers may have no birth certificates, or any other official documents to prove that they are of age to work. Still, assessors may visually observe children performing tasks on farms, without being able to document the ages of the workers conclusively.

Also, while children may not be formally hired to work at a farm, they may be observed working together with their older family members. For example, in 2014 assessments of 360 cocoa farms in the Ivory Coast, the FLA identified 27 working children, between the ages of 8 and 15, who were



INDIA: AGRICULTURE VERIFICATION REPORTS

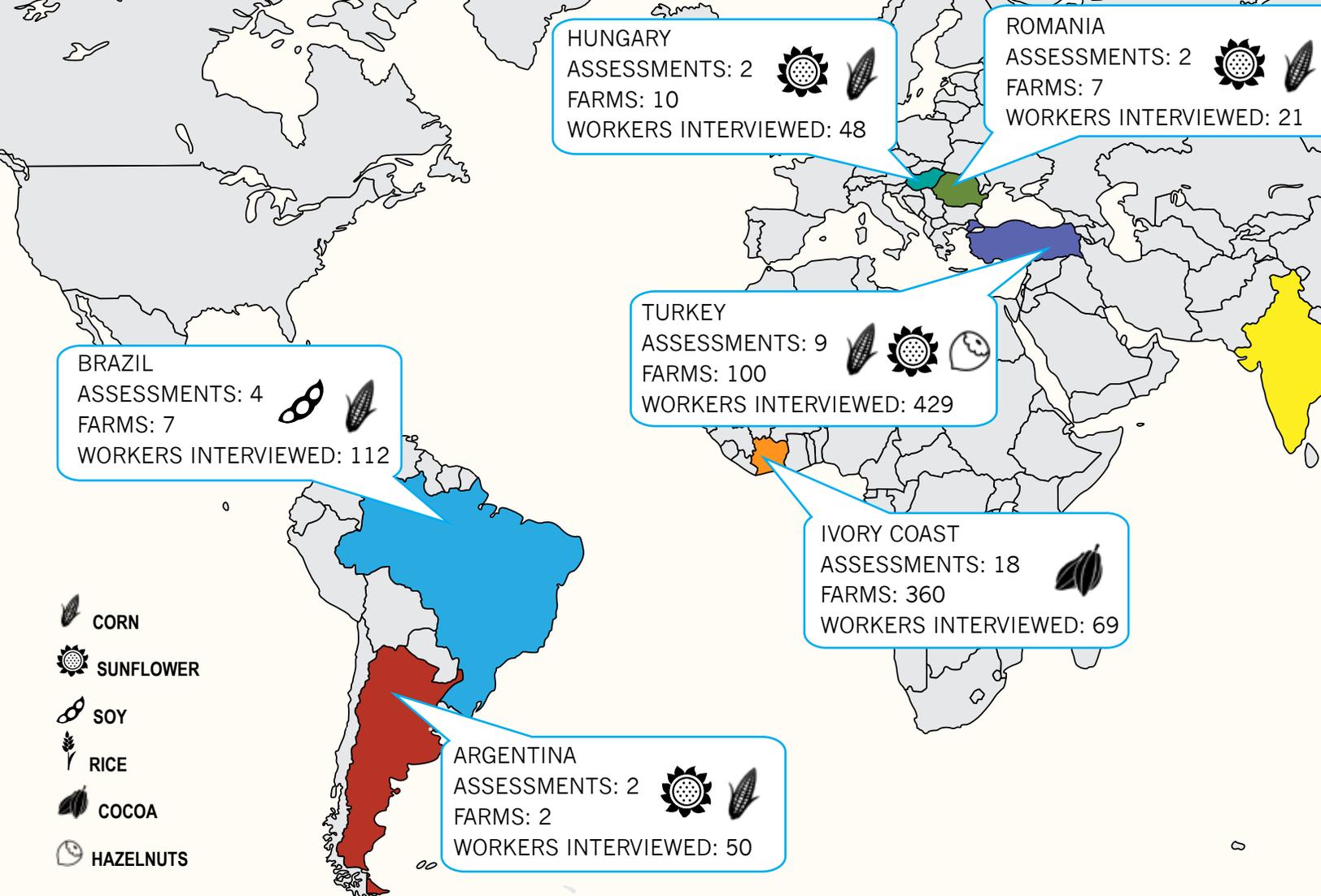
Hot and Sweet Peppers, Tomatoes

In late 2014, the FLA returned to the same villages in Karnataka and Maharashtra, in India, where assessors had reported on agricultural working conditions in 2011. Assessors were checking the status of corrective action plans established in 2011 to remediate code violations found in the hot pepper, sweet pepper, and tomato seed supply chain, such as those related to child labor, health and safety, and wages.

TOP FINDINGS: While the 2011 assessments found children working on the tomato farms, the 2014 assessments found no child labor on any of the farms, and all farmers had received “Grower Documentation Kits,” training them on what proof-of-age materials they must

keep for each worker. Assessors also found improvement in health and safety practices at all farms visited for verification, but found continued non-compliance with the FLA Code of Conduct on wages.

Many workers at all farms were paid less than minimum wage in both 2011 and 2014.



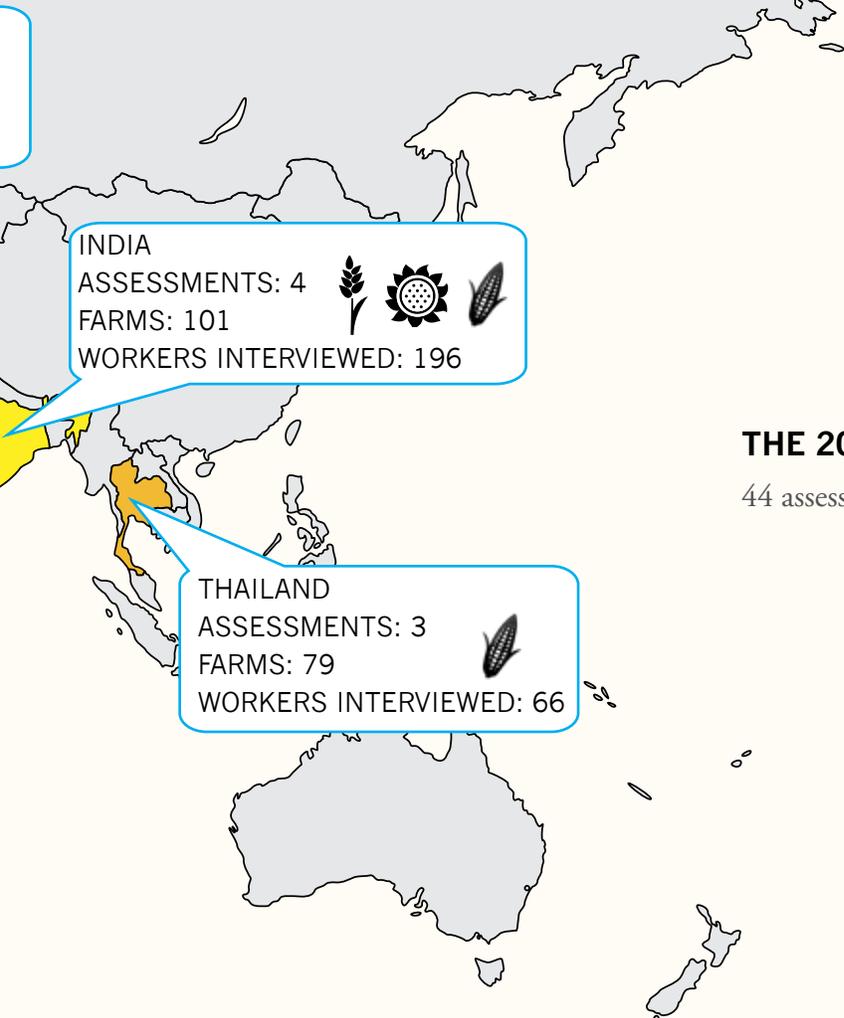
not attending school. Most of these children were working at their parents' or relatives' farms, although one child worker identified by assessors was a hired worker. The FLA reports these instances to the sourcing company immediately, to initiate corrective and preventive actions under their respective child labor monitoring and remediation programs.

MINIMUM WAGES

In both the corn and sunflower seed supply chains in India, assessors found workers earning less than the local minimum wage at farms in Andhra Pradesh, Karnataka, and Gujarat. Sunflower workers in Gujarat, for example, were earning 150 rupees (\$2.30) per day, though the local minimum is 219 rupees, and in Karnataka they were earning

between 150 and 200 rupees, though the local minimum is 269. According to workers, farmers, and company representatives, these wages match the prevailing wages of the agriculture sector, although they are not in compliance with local law or the FLA Code.

Similarly, in both the sunflower seed and hazelnut supply chain in Turkey, many workers do not receive the minimum wage, with migrant workers' wages further suppressed by labor contractors, who deduct 10 percent in exchange for having found them work. In many cases, company representatives report that lack of government enforcement of minimum wages in more informal agricultural workplaces exacerbates the problem across the sector, making it more difficult for any one company to improve.



THE 2014 AGRICULTURE ASSESSMENT CYCLE

44 assessments covering 666 farms

MIGRANT WORKER DISCRIMINATION

FLA assessors found that in the hazelnut supply chain in Turkey, in addition to being charged labor-contractor fees, migrant workers consistently earn a lower base rate of pay than local workers, and are required to work longer hours. Farmers justified different treatment for migrant workers with the biased argument that they do not perform as well as local workers. Farmers also sometimes offer migrant workers a place to live, and this in-kind contribution is seen as further justification for lower wages. However, assessors found that migrant workers' housing is not always safe or adequate for habitation.

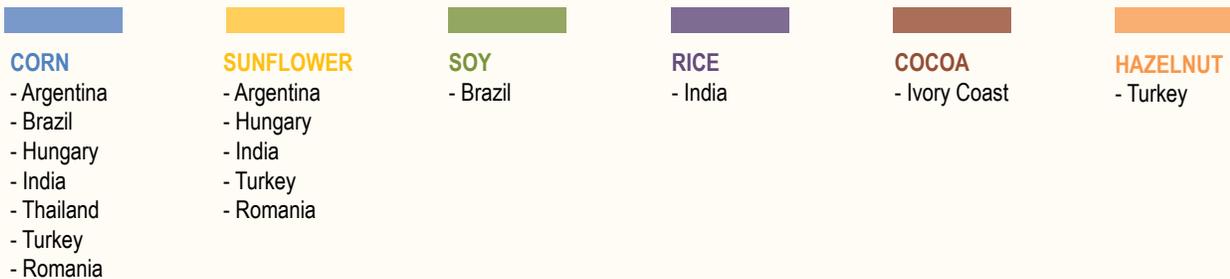
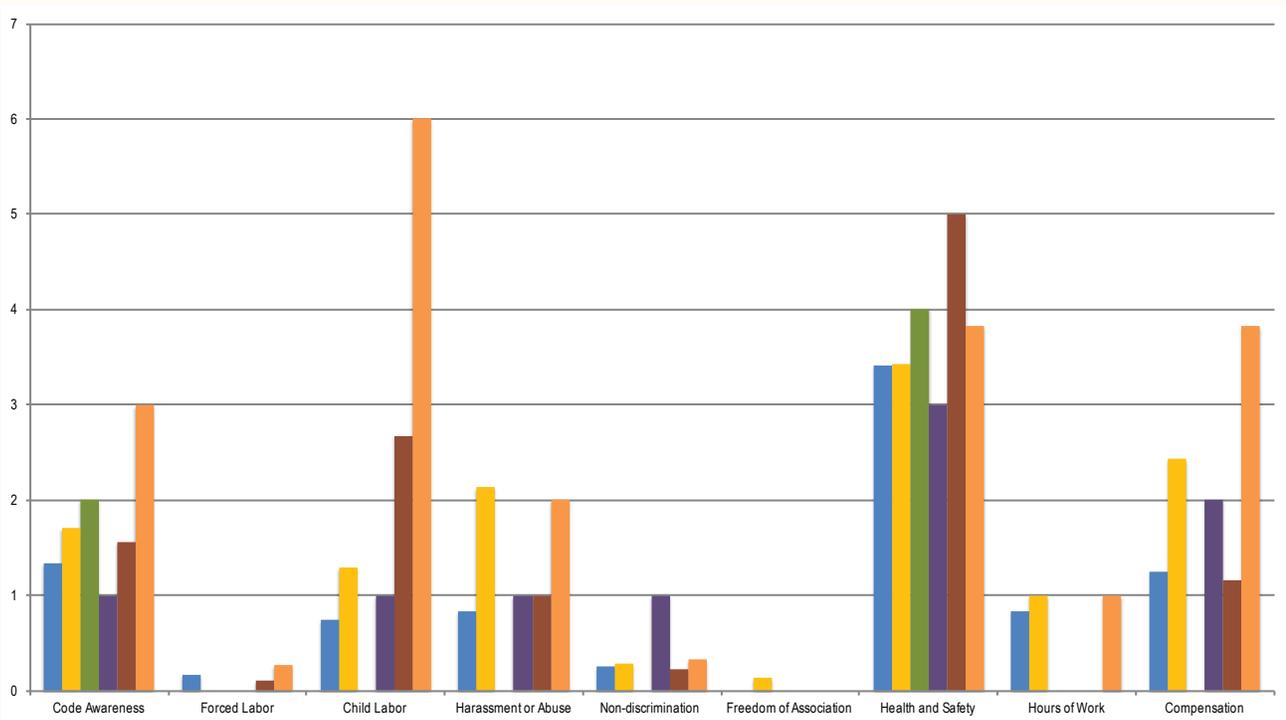
In all of the above cases, even when a persistent non-compliance is found to be an industry-wide problem, the FLA expects affiliates to devise and

implement remediation plans to bring their supply chains into compliance with FLA standards.

In some cases, this requires a company to help its suppliers improve their practices, as when companies provide farms with the tools to measure and report hours of work and wages paid to the workers. In other cases, companies may need to work together with local governments and community organizations, such as in Turkey, where discrimination against migrants is a widespread social problem, not limited to hazelnut farms. The box on page 33 describes how one FLA affiliate uses a combination of these strategies to tackle one of the most persistent problems in the cocoa supply chain.

COMPARISON OF CODE ELEMENT VIOLATIONS BY CROP

This graph compares the average number of findings per FLA Code element for each crop under FLA assessment. One systemic issue well-known to FLA assessors should be highlighted here, so it is not obscured by the aggregation of data from different countries. In India, non-payment of minimum wages has been found to be a serious issue in both the sunflower and the corn supply chains, but in combination with data from countries where compensation issues have been fewer, the overall picture on compensation for these crops is improved.





IVORY COAST: ALTERNATIVES TO CHILD LABOR

Helping Cocoa Farmers' Children Go to School

In 2014, Nestlé extended its Child Labor Monitoring and Remediation System (CLMRS) to cover 22 of its cocoa-producing cooperatives in the Ivory Coast. Under this system, operating in partnership with the International Cocoa Initiative (ICI), Nestlé staff in the Ivory Coast work with cocoa-cooperative staff, farm owners, and the local community to provide education on how to prevent child labor, and to identify and remediate cases that do occur. The company works to remediate instances of child labor by providing, for example, school kits (uniforms, books, and supplies) to former child cocoa workers, or by helping secure birth certificates – a requirement for entering junior secondary school – for children who do not have them.

In one cocoa cooperative assessed by the FLA in 2014, the Nestlé CLMRS had already been active since September 2013. Since that time, the CLMRS had identified 319 child workers (22 percent of them the children of farmers); to provide an alternative to cocoa work, Nestlé built three classrooms in three separate areas of the cooperative. These classrooms now provide access to education for 855 local children, reducing the risk of additional child labor. The CLMRS also established additional income-generating activities for four women's community groups, helping the wives of farmers raise more money for their families, which further reduces the risk that farming families will need to rely on children's participation in cocoa work.



The FLA Third Party Complaint Process

HOW DOES IT WORK?

Any worker, union, civil society organization, or affected stakeholder may request investigation into violations of the FLA Workplace Code of Conduct or the Principles of Fair Labor and Responsible Sourcing. To fall within the scope of the Third Party Complaint process, the facility to be investigated must be in the supply chain of an FLA affiliate, and the complaint must relate to a specific element of the Code or the Principles.

The Third Party Complaint can help detect non-compliances related to workers' fundamental rights – such as freedom of association – which are often more difficult to uncover during the factory assessment process and develop meaningful remediation.

In 2014, the FLA added a new layer of transparency to the Third Party Complaint procedure it has had in place since the organization's founding. Starting in May, FLA staff began maintaining an online tracking chart of the progress of all complaints received by the FLA.¹ All complaints received – whether they are within the FLA scope or not – are recorded on the tracker, along with an explanation of any action taken.

The specific steps of the FLA Third Party Complaint process are explained in the FLA Charter, and summarized on the new online landing page of the tracker. FLA staff update the status of each complaint in the tracker as it progresses through the steps of the process, with final reports posted on the website and linked to the tracker upon resolution of each complaint.

In 2014, the FLA posted two investigation reports to the website, for complaints originating in 2013. Investigations into three complaints received in 2014 were ongoing at the end of the year, with reports expected in 2015.

HIALPESA – LIMA, PERU

One particularly complex series of complaints came from a Peruvian union that organized workers at the Hialpesa factory in Lima, a supplier for New Balance, an FLA Participating Company.

Despite a very small commercial presence in the factory (less than five percent of the factory's total production capacity), New Balance took an active role in investigating the initial complaint, and submitted to the FLA a thorough assessment and response to the allegations. The complaint centered on allegations that the factory was using repeated short-term contracts, creating a precarious workforce without the workplace benefits and seniority that accrue to long-term employees.

Although Peruvian law technically allows the use of repeated short-term contracts under some circumstances, the complaint alleged that the factory had not met the necessary legal requirements and was required to convert short-term employees into permanent employees. The intentional creation of a precarious workforce

¹ <http://www.fairlabor.org/third-party-complaint-tracking-chart>

runs afoul of the “Employment Relationship” element of the FLA Workplace Code of Conduct, which states that employers must not hire “temporary workers as a means to support normal business needs on a continuous basis or as a regular employment practice.” As part of New Balance’s initial report to the FLA, the company demonstrated that in 2013, prior the complaint, it had signed onto a letter to Peruvian President Ollanta Humala, asking for reform of the Peruvian law allowing repeated short-term contracts.

As the complaint progressed, Hialpesa announced the closing of a spinning mill associated with the factory, which would eliminate the jobs of most of Hialpesa’s unionized workers who had filed the complaint, adding a freedom of association element to the case. The FLA engaged a team of independent experts to investigate the situation in its entirety. After the visit by the independent investigators, Hialpesa announced the decision to postpone the closing of the spinning mill, and during this postponement, a representative from the FLA traveled to Lima to facilitate dialogue between the union and factory management.

Ultimately, Hialpesa maintained the operation of the spinning mill, and offered to retain current employees at the mill (whether affiliated with the union or not), though on short-term contracts. At the time of the closing of the complaint, the factory had appealed to the Peruvian Ministry of Labor for a ruling on the legality of its use of short-term contracts.

UNDERGROUND PRINTING – ANN ARBOR, MICHIGAN

Most Third Party Complaints investigated by the FLA arise in the supply chains of Participating Companies sourcing from Central America or Asia.

In the case of Underground Printing, however, the facility in question is located in Ann Arbor, Michigan, and was owned and operated by a US-based FLA-affiliated Category C licensee producing for 28 universities affiliated with the FLA. The complaint, filed by a US worker, alleged several health and safety violations, including inappropriate handling of screen-printing materials and lack of access to personal protective equipment, as well as inappropriate use of temporary employment agencies.

The FLA brought the complaint to the attention of Underground Printing, which conducted an assessment and prepared a remediation plan. Following this, the FLA engaged an independent expert to verify implementation of the remediation plan and identify other areas for action.

The investigation found that because of the company’s seasonal production schedule, Underground Printing’s use of temporary workers was acceptable, with some of the company’s temporary jobs leading to permanent employment, and without producing a workplace reliant on the continuous employment of temporary workers. The investigation also found progress on health and safety policies, including the formation of a Health and Safety Committee with production workers participating, the development of a training curriculum, and the hiring of a third party to stock personal protective equipment and provide training to workers.

At the time of the closing of the complaint, these changes were in progress, and were expected ultimately to bring Underground Printing into compliance with OSHA’s Hazardous Communications requirement and the Michigan Occupational Safety and Health Act.



In October 2014, Oxfam published an analysis of the gender assessments conducted by three chocolate companies originally ranked by the “Behind the Brands” report. The FLA-produced assessment scored highest in the analysis conducted by Man-Kwun Chan, an independent consultant on gender issues, who wrote that “overall, Nestlé’s gender assessment is reasonably comprehensive and robust, and by far the strongest of the three company assessments.”

Supply Chain Research to Improve Working Conditions

In addition to the FLA’s business and workplace accountability programs, the FLA regularly partners with affiliated companies or external organizations to conduct original research on key issues in global supply chains.

In 2014, the FLA published the final reports on two research projects – one partnering with Nestlé in the Ivory Coast to assess the role of women in the cocoa supply chain, and the other partnering with supplier factories in Vietnam to identify ways to improve conditions for apparel and footwear workers in that country. In each case, the FLA’s research provided a total-system perspective that resulted in concrete recommendations for how companies can take action to develop more equitable supply chains and ensure fair conditions for workers.

WOMEN’S ROLES IN COCOA PRODUCTION

In February of 2013, the “Behind the Brands” project run by the international civil society organization Oxfam rated ten food and beverage companies on the quality of their supply-chain sustainability efforts. Oxfam’s scorecard provided rankings in seven areas, including companies’ work to address gender inequality in their supply chains.

Although FLA-affiliated Nestlé scored highest on women’s issues among all chocolate companies rated by Oxfam, the report indicated room for improvement among all the companies surveyed, and as a first step Nestlé contracted with the FLA to conduct a comprehensive assessment of gender disparities and discrimination in its Ivory Coast supply chain.

In conducting research for their report, FLA assessors visited 200 Ivorian farms supplying cocoa for five cooperatives participating in the Nestlé Cocoa Plan. Assessors observed and recorded working conditions and division of labor at the farms, and conducted nearly 500 interviews with workers and other stakeholders, including 244 rural women in cocoa-producing communities.

Assessors recorded data related to women’s roles in cocoa production, and women’s status in the communities and cooperatives involved in cocoa production for Nestlé. Assessors



found that of the 43 representatives seated on the Boards of Directors of the cooperatives surveyed, only one was a woman. Furthermore, because many areas of the Ivory Coast recognize only male land-ownership, a woman's ability to make a living from cocoa production often depends on her relationship with a man.

In the report's conclusion, the FLA presented 17 specific recommendations for improving conditions for women, such as no longer restricting access to cocoa seedlings to those who own land, and to provide greater access to seedlings for women. Other recommendations included equal opportunities for employment and leadership in the cooperatives, accessible cocoa training sessions for women, and registration of cocoa farms under both the names of a male farmer and his wife.

The FLA's full report on gender in Nestlé's cocoa supply chain is available at:
<http://www.fairlabor.org/report/nestle-womens-roles-assessment-cocoa>

WAGES, HOURS OF WORK, AND LABOR RELATIONS IN VIETNAM

At the end of 2014, the FLA concluded a multi-year project funded by the US Department of State, and conducted in factories in both the north and the south of Vietnam, an increasingly important manufacturing country for many companies affiliated with the FLA. In 2014, only China employed more workers making products for FLA-affiliated companies, and only four other countries (China, the US, Turkey, and India) were home to more factories in the FLA program.

Beginning in 2012, and continuing into 2013, the FLA conducted worker and management surveys in 31 apparel and footwear factories in Vietnam, covering issues related to wages, hours of work, and the relationship between labor and management. Amongst other findings, the survey highlighted that management tended to rate the quality of the labor-management relationship higher than the workers, with workers scoring internal factory communications and worker

integration into factory decisions fairly low. Workers also reported low wages and high hours of work, with 40 percent of workers reporting that they could not meet their basic needs without working at least 60 hours a week at current wage levels.

Project staff kept these results in mind as they developed training activities for 2014, establishing training opportunities for staff from the 31 participating factories in eight group sessions held in Hanoi, Ho Chi Minh City, and Long An. Project staff arranged for individual in-factory coaching sessions, along with advanced training sessions on topics like how to enhance communication between managers and workers, how to survey workers on cost-of-living to determine wage thresholds, and how factories can work with buyers to improve wages.

Upon the conclusion of the project, in 2014, project staff returned to 15 of the original 31 factories to conduct impact assessments. They surveyed 2114 workers, and collected online self-

assessment results from factory management. The impact assessments found improvements, such as increased worker awareness of legal wage standards and collective bargaining agreements, and better training for workers on how to participate in factory programs.

However, the impact assessments found little impact on wages and hours of work overall. The surveyed factories did pay minimum wages, but these wages were nonetheless insufficient for workers to meet their needs. The project recommended that factory management should increase workers' wages to reward both individual and collective improvement, make workers more aware of the representative bodies available to them, and train management on the negative effects of excessive hours of work.

The FLA's full report "Promoting Sustainable Labor Compliance in Vietnam" is available at: <http://www.fairlabor.org/our-work/special-projects/project/promoting-sustainable-corporate-social-responsibility-vietnam>





FIRE SAFETY IN BANGLADESH, CHINA, INDONESIA, AND VIETNAM

In February and March of 2014, the FLA conducted a “training of trainers” course in Dhaka, Bangladesh, as part of its Workplace Fire Safety Initiative. The program was developed by fire safety training expert Dr. David Gold and is accredited by the Institution of Occupational Safety & Health in the UK.

Since then, the FLA has been working to expand the workplace fire safety training program with two new introductory training modules for employers and workers that were successfully tested in July 2014 in Vietnam, and additional training courses conducted in Indonesia and China. The FLA cooperates with certified master trainers to deliver the training in any country where there is demand; the material is available in either English or Mandarin and can be adapted for local languages.

Comprehensive overviews of each fire safety training course are available on the FLA website at <http://www.fairlabor.org/firesafety>.

Overall, the FLA’s fire safety initiative provides:

- A comprehensive package of foundational fire safety competencies and a self-assessment for employers to implement at the factory level;
- Education around the assessment of fire hazards and the ability of factory workers and managers to respond to emergencies;
- Facilitated dialogue and sustainable solutions developed by engaging with local experts;
- Tools to empower workers to become fire safety ambassadors and create a culture where workers are collectively concerned with each other’s welfare and call for remediation of unsafe working conditions; and
- Training for workers, factory managers, fire safety facilitators, and fire safety trainers on foundational fire safety competencies and all elements of a facility’s fire safety program.

“It is an honor to achieve FLA accreditation, but we found the greatest value came from the multi-year process that pushed us, helped us identify areas of strength, and highlighted areas where we needed to continue improving our systems and processes. We still have more work to do, particularly on those complex supply chain issues that affect factory conditions but are tough for any one company to tackle alone. The multi-stakeholder space of the FLA provides an important laboratory for us to explore solutions that will help sustain good working conditions over time.”

— Dr. Monica Gorman, Vice President of
Global Compliance for New Balance

New FLA Affiliations and Accreditation in 2014

In 2014, the FLA accredited the social compliance program of New Balance, a Participating Company since 2009, and welcomed five new Participating Companies as affiliates, along with 13 new Category B Licensees.

NEW BALANCE:

Headquartered in Boston, New Balance manufactures athletic shoes, apparel, and equipment, employing more than 5,000 people worldwide. Prior to New Balance’s affiliation with the FLA, one of its subsidiary brands – Brine – was already affiliated with the FLA as a Category C licensee. With New Balance’s affiliation in 2009, additional subsidiaries aravon, Cobb Hill, Dunham, PF Flyers, and Warrior were also brought into the FLA program. (Warrior is also a collegiate licensee.)

Sourcing from around 120 factories in around 20 countries worldwide, New Balance sources most heavily from China and the United States. Over the course of its affiliation, the FLA has assessed New Balance factories in China, El Salvador, Honduras, Indonesia, Peru, Thailand, and the US.

New Balance hired its first full-time social compliance officer in 2004, for its footwear division. The social compliance team expanded in 2006 to also oversee social compliance in the manufacturing of athletic apparel and sports equipment. As of 2014, this team had expanded to a team of 15 based in China, Indonesia, the UK, the US, and Vietnam.

In 2014, New Balance was one of nine FLA-affiliated companies to sign a letter to the government of Cambodia calling for “objective, inclusive, and productive national wage-setting negotiations that result in a minimum wage that is fair for workers,” and committing to purchasing practices to support this. The New Balance VP for Global Compliance participated in an FLA panel discussion on social insurance in China at the October 2014 Board of Directors meeting, explaining how headquarter-level coordination between a company’s social compliance team and finance team can help ensure compliance on legally mandated benefits from country to



Workers in China prepare the distinctive New Balance “N” logo to be placed on the sides of the brand’s running shoes.

country. And the company took an active role in working to resolve a Third Party Complaint filed with the FLA against a New Balance supplier in Peru (see p. 34).

FLA staff recommended New Balance for accreditation in mid-2014, after a thorough assessment of the New Balance program, including interviews with staff, extensive document review, verification of self-assessments, a visit to the corporate headquarters in Boston, shadowing of an internal New Balance audit at a facility in Honduras, and observation of a remediation meeting at a facility in China. At the June 2014 Board of Directors meeting, the FLA’s multi-stakeholder Board approved the accreditation of the New Balance social compliance program.

NEW PARTICIPATING COMPANIES:

COLOSSEUM – First affiliated with the FLA as a Category C licensee, as Colosseum’s annual revenues grew, the company graduated to Category B in 2007.¹ As a Category B licensee, Colosseum submitted 95 percent of its supply

chain (producing for more than 300 colleges and universities) to the FLA assessment program; by progressing to Participating Company status in February 2014, Colosseum now submits 100 percent of its manufacturing to the FLA program.

HUGO BOSS – Germany-based Hugo Boss manufactures premium and luxury apparel, footwear, and accessories, in six owned production facilities and a number of contracted facilities. The company released its first sustainability report, covering performance in 2013, with a focus on environmental impact. Company representatives stated that Hugo Boss joined the FLA to incorporate greater emphasis on its social impacts into its sustainability work.

KATHMANDU – In June 2014, New-Zealand-based Kathmandu became the first FLA Participating Company headquartered in the Southern Hemisphere. An outdoor adventure products company, Kathmandu brings the supply chain for its apparel line, as well as its line of tents, sleeping bags, packs, and bags, into the FLA program.

¹ See p. 46 for an explanation of the licensee categories.

UNDER ARMOUR – Affiliated with the FLA as a Category B licensee since 2006, Baltimore-based Under Armour progressed to Participating Company status in October 2014. As part of the expansion of its corporate social responsibility program, Under Armour’s Chief Operating Officer announced at its June 2014 Strategic Supplier Summit that all Under Armour suppliers – not just those producing collegiate product – would need to come into compliance with the FLA Workplace Code of Conduct.

VOLCOM – Owned since 2011 by Kering, the parent company of Puma (a long-time Participating Company with an FLA-accredited social compliance program), California-based Volcom joined the FLA in June 2014. Volcom manufactures apparel, footwear, and accessories for the board-sports market – surfing, snowboarding, and skateboarding.

NEW CATEGORY B LICENSEES IN 2014:

- Alex and Ani, LLC
- Antigua Group, Inc.
- Bridgestone Golf, Inc.
- Landau Uniforms, Inc.
- NORCOM, Inc.
- Peter Millar, LLC
- Richline Group, Inc.
- SCI Funeral Services of Florida
- Southern Champion Tray, LP
- Team Beans, LLC
- TOMS Shoes, Inc.
- Yankee Candle Company, Inc.
- Zazzle, Inc.

ACCREDITED BY THE FLA



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



HEADQUARTER-LEVEL ACCOUNTABILITY FOR FLA AFFILIATES

When companies affiliate with the Fair Labor Association, they commit to upholding the FLA Workplace Code of Conduct¹ in their factories, and to enacting the Principles of Fair Labor and Responsible Sourcing.²

The tenth principle – the principle that each company must verify its social compliance activities with the FLA – requires FLA affiliates to submit an annual report of its headquarter-level compliance activities to the FLA. In 2014, the FLA continued refining its process for collecting these annual reports from companies – a process begun with the launch of an online questionnaire for companies in 2012.

Over the course of two annual cycles of honing and clarifying the self-assessment questions each company must answer annually, FLA staff has developed a tool for each company to identify its strengths and weaknesses in enacting the FLA Principles. Companies must support their answers to the questionnaire by submitting documentation, to be verified by the FLA. Through this annual self-assessment process, FLA staff identify areas of improvement for affiliated companies, and use the results of the self-assessment to guide companies toward accreditation of their social compliance program.

FLA staff follow up with each unaccredited FLA affiliate³ to discuss ways that its headquarter-level compliance program could be further developed – in pursuit, ultimately, of accreditation by the FLA. Those companies listed on page 42 have already had their programs accredited by the FLA.

1 <http://www.fairlabor.org/our-work/code-of-conduct>

2 <http://www.fairlabor.org/our-work/principles>

3 In the Participating Company and Supplier categories.

Universities and Licensees: In Pursuit of Fair Supply Chains

The FLA provides programs for three categories of licensees, differentiated by the amount of their annual revenues. Each category of licensee is expected to uphold Principles of Fair Labor and Responsible Sourcing and to enact the FLA Workplace Code of Conduct in facilities producing collegiate products. The category of licensees with the highest revenues – Category B – must submit to FLA-administered factory assessments in collegiate-producing facilities.

	# Participating	Annual Revenues
Category B	70	>\$50 million
Category C	>700	\$2.5 – 50 million
Category D	>1450	<\$2.5 million

Since the FLA’s founding, the participation of universities – and their licensees that produce logo-bearing products like hats, gym bags, and jerseys – has been a vital part of the FLA program.

University students want assurance that the money they spend in campus bookstores is not supporting companies that exploit workers. Universities, in turn, want to source from the most socially responsible licensees they can find. By affiliating with the FLA, universities can gain access to greater knowledge about their licensees’ social responsibility efforts, and better reassure students about the origins of their collegiate-branded merchandise.

Universities that join the FLA require all companies licensed to manufacture logo-bearing products to join the FLA as well, as a condition of doing business together. Then, in order to fulfill the conditions of affiliation with the FLA, licensees must provide information about their operations and their commitment to workers’ rights that the FLA can report back to universities.

Universities rely on the information collected and provided by the FLA to help them make better-informed purchasing decisions.

The largest licensees (Category B, with annual revenues higher than \$50 million), must submit five percent of their collegiate-producing factories for assessment by the FLA, with the findings made public. Both Category B licensees and their peers in Category C (with revenues between \$2.5 and 50 million) are required annually to self-report to the FLA on their social compliance efforts, providing comprehensive documentation as evidence of the effectiveness of their programs. All licensees (including Category D, with revenues less than \$2.5 million) are required to disclose their factory locations, and to submit to investigations by the FLA, should any worker, union, or workers’ rights organization uncover violations of the FLA Code and file a complaint.



In addition, the FLA helps licensees improve their social compliance programs by offering in-person and online training programs for licensees – especially smaller licensees that may have fewer resources to devote to social compliance.

For example, many smaller licensees may have no local staff in their sourcing countries, and may have limited ability to engage with their factories; others may not consistently produce for the collegiate market, and may lose sight of FLA requirements while producing for other markets.

To help licensees build social compliance programs that can overcome these challenges, in 2014 the FLA designed an improved training program for launch in 2015. This initiative will include both a classroom-training component, and shadow-factory-assessment component, designed to improve licensees' own internal factory-monitoring programs.

All licensees must uphold the FLA Workplace Code of Conduct in their sourcing factories and enact the ten Principles of Fair Labor and Responsible Sourcing in the operation of their businesses.



PROMOTIONAL PRODUCTS WORKING GROUP

Around 10 percent of licensees affiliated with the FLA identify themselves as “Promotional Products” companies – a type of licensee with a business model that presents unique challenges for compliance with the FLA Workplace Code of Conduct.

These licensees’ supply chains include an extra layer, meaning that while the licensee may work directly with a university to provide them with their giveaway, logo-bearing promotional products like tote bags, mugs, pens, or T-shirts, they do not work directly with the factory producing these products or even have access to information about these facilities. Instead, they contract with an intermediary, and the presence of this layer compromises the licensees’ ability to comply with basic FLA requirements, such as providing a factory list to the FLA, or communicating the FLA Workplace Code of Conduct to workers in the manufacturing facilities.

To address complex issues like these, the FLA convenes multi-stakeholder working groups that are able to examine an issue from multiple perspectives. In September 2014, the FLA launched its new Promotional Products Working Group, made up of business, university, and civil society representatives with knowledge of this sector in the licensee market, began convening regular meetings in the fourth quarter of 2014, and conducted a survey of FLA-affiliated promotional products companies in December, to better understand the special circumstances of this sector.

In 2015, the group intends to submit recommendations on how to adapt the FLA licensee program for affiliated promotional product companies.

FLA Participating Companies and Suppliers in 2014

The following charts summarize the assessment activity conducted by the FLA for each Participating Company and Participating Supplier in 2014. The FLA conducts these assessments at the first-tier level, except for agricultural assessments, which go deeper into the supply chain.

Annually, the FLA assesses five percent of the applicable factories and farms of each Participating Company and Supplier. Companies that have had their social compliance program accredited by the FLA receive assessments at one percent of their facilities. If a company operates or sources from a small number

of facilities, achieving the five percent participation threshold may not require an assessment every year. These cases are noted on the charts below as instances when a company is not due for an assessment. Companies affiliating at the end of 2013 also did not yet come due for assessment in 2014, and in some cases expected or scheduled assessments had to be cancelled or postponed.

The charts below also summarize which companies have had their social compliance programs accredited by the FLA, and which contract as licensees for the FLA-affiliated universities. Further information about each company, including the names of the brands included in the scope of the FLA program, and full assessment reports for each factory or farm visit can be found on the FLA website. The FLA maintains a web-page for each company where all of the most current information about a company's affiliation can be found, including any recent research reports, third-party complaints, or initiatives undertaken by the company with other stakeholders to improve systemic issues in global supply chains.

PARTICIPATING COMPANIES

KEY



COMPANY NAME <i>Date Affiliated</i>	SCOPE: PRODUCTS	ACCREDITED?	UNIVERSITY LICENSEE?	2014 ASSESSMENTS
ABC Gruppen AB <i>June 2010</i>				China (1)
adidas Group <i>January 2001</i>				Cambodia (2), China (2), Guatemala (1), Indonesia (2), Thailand (1)
Apple, Inc. <i>January 2012</i>				China (1)
arena Group <i>February 2011</i>				China (1), Vietnam (1)
Colosseum Athletics Corporation <i>February 2014</i>				China (1)
Concept One Accessories <i>February 2007</i>				China (1)
Cutter & Buck <i>February 2012</i>				China (1), India (1)

COMPANY NAME <i>Date Affiliated</i>	SCOPE: PRODUCTS	ACCREDITED?	UNIVERSITY LICENSEE?	2014 ASSESSMENTS
Dallas Cowboys Merchandising, Ltd. <i>June 2012</i>				Pakistan (1)
Delta Apparel, Inc. <i>June 2011</i>				China (1), El Salvador (1), Guatemala (1), Honduras (1)
Fenix Outdoor AB <i>February 2013</i>				China (2), Vietnam (1)
Forty-Seven Brand <i>October 2005</i>				China (1)
Fruit of the Loom (Russell Brands) <i>October 2007 (Russell Brands), February 2012 (Fruit of the Loom)</i>				El Salvador (1), Thailand (1), Vietnam (1)
GFSI, Inc. <i>January 2001</i>				Vietnam (1)
Gildan Activewear, Inc. <i>January 2004</i>				China (1)
GTM Sportswear <i>February 2013</i>				Guatemala (1)
H&M Hennes & Mauritz AB* <i>February 2006</i>				China (4), India (4), Turkey (9)
Hanesbrands <i>February 2008</i>				China (1), Honduras (1), India (1)
Hugo Boss <i>October 2014</i>				No assessment conduct (not due)
J.America Inc. <i>October 2013</i>				China (2)
Kathmandu <i>June 2014</i>				No assessment conduct (not due)
Knights Apparel <i>October 2007</i>				China (1)
Lakeshirts, Inc. <i>October 2012</i>				Pakistan (1)
Mountain Equipment Co-op (MEC) <i>February 2005</i>				No assessment conducted
New Balance Athletic Shoe, Inc. <i>October 2009</i>				Indonesia (1), Thailand (1)
New Era Cap Co., Inc. <i>January 2004</i>				China (1), Honduras (1)
Nike, Inc. <i>January 2001</i>				Bangladesh (1), Cambodia (1), China (3), India (1), Indonesia (2), Malaysia (1), Mexico (1), Thailand (1), Turkey (1), Vietnam (2)
Outdoor Cap <i>July 2004</i>				China (1)
Outerstuff, Ltd. <i>October 2012</i>				India (1)
Patagonia <i>January 2001</i>				Sri Lanka (1), Thailand (1)
prAna <i>February 2010</i>				India (1), Taiwan (2)

*The scope of the FLA's program with H&M covers its factories in China, India, and Turkey only.

COMPANY NAME <i>Date Affiliated</i>	SCOPE: PRODUCTS	ACCREDITED?	UNIVERSITY LICENSEE?	2014 ASSESSMENTS
Puma SE <i>January 2004</i>				Bangladesh (2), Cambodia (1), Turkey (1)
PVH Corp <i>July 2001</i>				Bangladesh (1), India (1), Jordan (1), Sri Lanka (1)
s.Oliver Group <i>October 2010</i>				Bangladesh (2), China (2), India (3), Indonesia (1), Turkey (2)
SanMar Corporation <i>August 2007</i>				Sri Lanka (1)
Top of the World, LLC <i>April 2004</i>				China (1)
Tumi, Inc. <i>June 2008</i>				China (1)
Under Armour <i>October 2014</i>				Singapore (1)
Volcom <i>March 2014</i>				No assessment conduct (not due)
W.L. Gore & Associates GmbH <i>June 2012</i>				China (1)
Zephyr Graf-X <i>January 2003</i>				China (1)

PARTICIPATING AGRICULTURE COMPANIES

KEY



COMPANY <i>Date Affiliated</i>	PRODUCTS	SOURCING COUNTRIES	ACCREDITATION STATUS	2014 ASSESSMENTS
Balsu <i>October 2013</i>		Turkey		Shared assessments with Nestle and Olam
Nestlé <i>February 2012</i>		Ivory Coast, Turkey		Ivory Coast (13), Turkey (6)
Olam <i>October 2012</i>		Ivory Coast (Cocoa), Turkey (Hazelnuts)		Ivory Coast (5), Turkey (3)
Syngenta <i>February 2009</i>		Argentina, Brazil, Hungary, India, Romania, Thailand, Turkey, India		Argentina (2), Brazil (4), Hungary (2), Romania (2), Thailand (3), Turkey (3), India (6)

PARTICIPATING SUPPLIERS

KEY

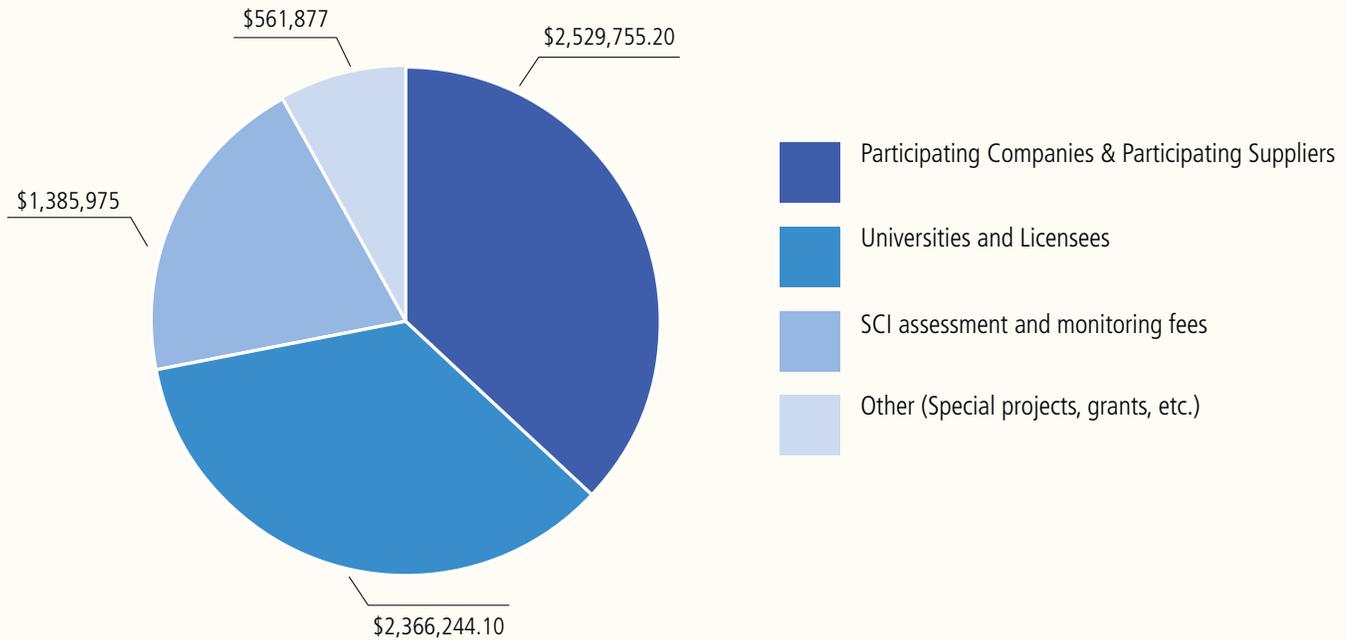


COMPANY <i>Date Affiliated</i>	PRODUCTS	PRODUCTION COUNTRIES	ACCREDITED?	2014 SCIS
Brooklyn Mfg Ltda. de CV <i>February 2012</i>		El Salvador		No assessment conducted (not due)
Chenfeng Group <i>February 2006</i>		China		China (1)
Delta Galil Industries Ltd. <i>October 2013</i>		Bulgaria, Egypt, Israel, Jordan, Thailand		No assessment conducted (not due)
Esquel Group <i>October 2008</i>		China, Malaysia, Mauritius, Sri Lanka, Vietnam		China (1)
Forward Sports, Ltd. <i>October 2007</i>		Pakistan		No assessment conducted (not due)
Grupo Miguel <i>October 2008</i>		El Salvador		No assessment conducted (not due)
Hansoll Textile, Ltd. <i>June 2008</i>		Cambodia, Guatemala, Nicaragua, Philippines, Vietnam		Vietnam (1)
Hop Lun <i>October 2010</i>		Bangladesh, China		No assessment conducted
Kay & Emms Pvt. Ltd. <i>June 2011</i>		Pakistan		No assessment conducted (not due)
KTC Limited <i>June 2012</i>		China, Laos		Laos (1)
Mainland Headwear Holdings, Ltd. <i>June 2008</i>		China, Vietnam		Bangladesh (1)
Maxport Limited <i>February 2009</i>		Vietnam		Vietnam (1)
Nature USA <i>October 2012</i>		United States		Assessment postponed to 2015
Pou Chen <i>June 2011</i>		Bangladesh, Cambodia, China, Indonesia, Vietnam		China (1)
River Cross Sewing <i>February 2012</i>		Mexico		No assessment conducted (not due)
Textiles Opico S.A. de C.V. <i>June 2012</i>		El Salvador		No assessment conducted (not due)
V.T. Garment Co. Ltd <i>February 2012</i>		Thailand		No assessment conducted (not due)
Yee Tung Garment Co., Ltd. <i>October 2006</i>		Cambodia, China, Jordan, Vietnam		China (1)

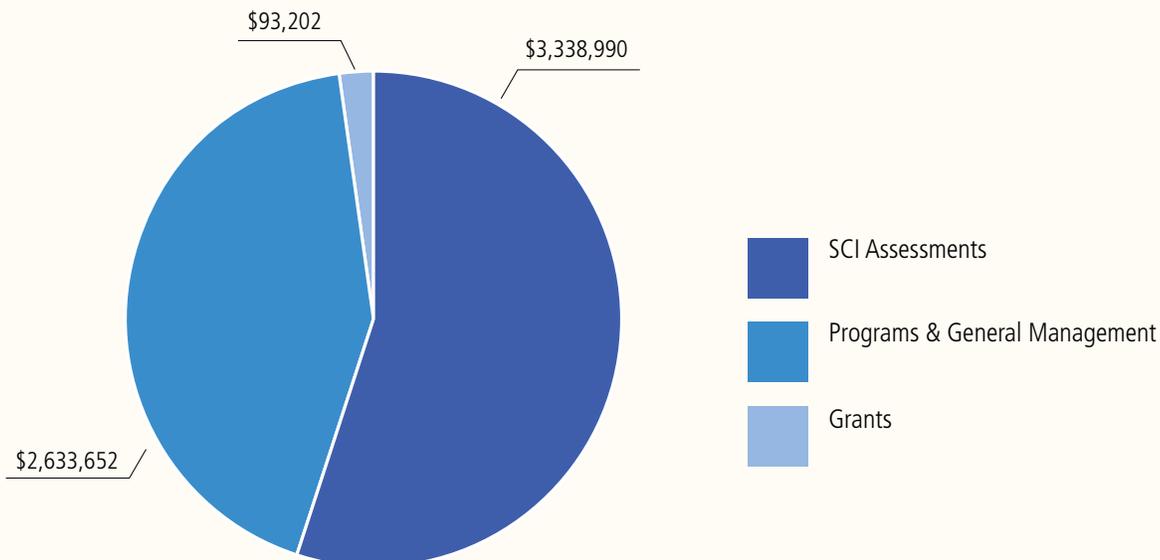
Financial Review

The majority of the FLA's revenues come from dues paid by Participating Companies, Participating Suppliers, Universities, and Licensees, with the expenses associated with conducting SCI assessments comprising the majority of FLA expenditures. The figures below come from the FLA's most recent audit, for the year ending December 31, 2014, and represent a return to balanced budgeting for the FLA.

2014 REVENUES: \$6,843,851



2014 EXPENSES: \$6,065,844



Join the Fair Labor Association in
improving workers' lives worldwide.

To learn more about affiliating or getting
involved with FLA, visit www.fairlabor.org
or contact services@fairlabor.org.



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