



# 2015 ANNUAL REPORT



FAIR LABOR  
ASSOCIATION®



**ABOVE:** FLA's Regional Manager for Latin America conducts a worker interview on a site visit in El Salvador.  
**ON THE COVER:** Workers producing clothing in China (upper left, middle and lower right), harvesting hazelnuts in Turkey (upper right), and growing rice in India (lower left).

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# 2015 BOARD OF DIRECTORS

The following representatives from each of the Fair Labor Association’s three constituent groups — companies, colleges and universities, and civil society organizations (CSOs) — served on the FLA’s Board of Directors in 2015, along with an independent chair.

## CHAIR

**Kathryn “Kitty” Higgins**

*Former U.S. Deputy Secretary of Labor*

Company Representatives	University Representatives	CSO Representatives
<p><b>Stan Blankenship</b> <i>Russell Brands/ Fruit of the Loom</i></p>	<p><b>Karen Daubert</b> <i>Washington University in St. Louis</i></p>	<p><b>Marsha Dickson</b> <i>Educators for Socially Responsible Apparel Business</i></p>
<p><b>Cara Chacon</b> <i>Patagonia</i></p>	<p><b>Bob Durkee</b> <i>Princeton University</i></p>	<p><b>Linda Golodner</b> <i>National Consumers League</i></p>
<p><b>Monica Gorman</b> <i>New Balance</i></p>	<p><b>Richard Fairchild</b> <i>University of Utah</i></p>	<p><b>Meg Roggensack</b> <i>International Corporate Accountability Roundtable, and the Institute for Human Rights and Business</i></p>
<p><b>Brad Grider</b> <i>Hanesbrands</i></p>	<p><b>Kathy Hoggan</b> <i>University of Washington</i></p>	<p><b>Jim Silk</b> <i>Yale Law School</i></p>
<p><b>Gregg Nebel</b> <i>adidas Group</i></p>	<p><b>Michael Low</b> <i>University of Notre Dame</i></p>	<p><b>Nina Smith</b> <i>GoodWeave</i></p>
<p><b>Tammy Rodriguez</b> <i>Esquel Group</i></p>	<p><b>Maureen Riedel</b> <i>Pennsylvania State University</i></p>	<p><b>Karen Tramontano</b> <i>Global Fairness Initiative</i></p>

# FOREWORD

*Pharis Harvey*

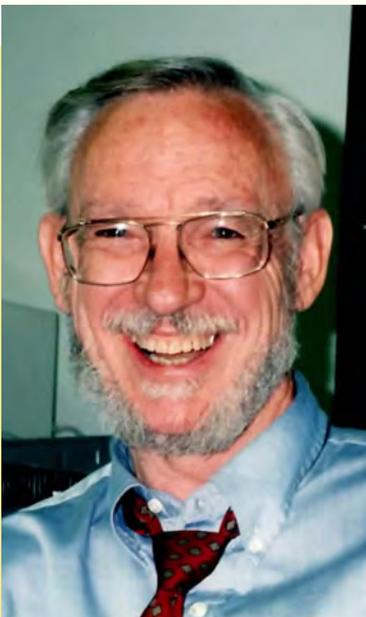
In the summer of 1996, it was my privilege to serve as part of the Apparel Industry Partnership, a diverse group of industry leaders and labor and human rights advocates convened by the White House to rise to a challenge proposed by then-President Bill Clinton: devise a process to make certain that apparel sold in the United States is made in compliance with international labor standards.

At the time, I was executive director of the International Labor Rights Forum, an organization I co-founded after many years directing the North American Coalition for Human Rights in Korea, where I became acutely aware of the labor-rights abuses that Korean workers faced. It became apparent to me that the political regime then in place desired to control its country's labor to

keep manufacturing cheap and attractive to foreign investors. The more I studied human rights, the more I came to believe that without efforts to raise standards globally, the competitive nature of the global economy would drive standards down everywhere.

## **Toward Raising Global Labor Standards**

The companies, unions, and workers' rights organizations represented as part of the Apparel Industry Partnership all agreed with this goal of raising standards globally. They worked very hard over the next several years to develop a plan of action - including development of a Workplace Code of Conduct, a proposal to create an independent external factory monitoring program, and a commitment to form an association to recruit industry participants -



**Pharis Harvey**, a charter member of the Apparel Industry Partnership that launched the Fair Labor Association, was from 1990 until his retirement in 2001 the Executive Director of the International Labor Rights Forum based in Washington DC. Prior to this he served as the Executive Director of the North American Coalition for Human Rights in Korea, and as Consultant on Economic Justice to the Christian Conference of Asia. He was a founder of Goodweave International and continues to serve as Emeritus Board Member, and was also a founding member of the Board of the Global March Against Child Labor. Pharis is an ordained minister of the United Methodist Church and has served his church in Japan, Korea, and the United States. He was a member of the Board and Chair of the Monitoring Committee of the Fair Labor Association from its founding until 2009. In 1996, he received the Letelier-Moffitt Memorial Human Rights Award for lifetime achievement in labor rights advocacy, and in 2001 he was awarded the Korean Institute for Human Rights Award.

and to publicly report on these efforts. The result was the creation of the Fair Labor Association (FLA).

The path to the FLA's development was not without obstacles, however, as some of the original Apparel Industry Partnership participants disagreed over how to establish formal company commitments to paying workers a decent wage, along with other issues. The effort lost some valuable partners as various stakeholders parted ways, while those who stayed remained committed to innovating new ways to pursue the goals of the partnership. I was proud to take the long view and continue, serving on the FLA's Board for the first ten years of its existence.

### **Progress on Fair Compensation**

Prior to my departure from the Board in 2009, we had secured a Board recognition that workers have a right to payment that meets their basic needs, plus some discretionary income. Turning that recognition into action has not been easy, but I am pleased that work toward that end has continued. First, in 2011, after a two-year process, FLA stakeholders reached consensus on new compensation

**“In 2009, we had secured a Board recognition that workers have a right to payment that meets their basic needs, plus some discretionary income ... In 2015, the FLA followed up with a concrete plan of action.”**

language for the FLA Workplace Code of Conduct, establishing the intention to move beyond compliance with minimum or prevailing wages, recognizing that these wages can't always provide workers with a decent life.

Then, in 2015, the FLA followed up with a concrete plan of action to carry out the organization's enhanced commitment to fair compensation for workers. The reporting and analysis of real-world wage data collected by FLA factory and farm assessors in 2015

demonstrates, as detailed in this report, how seriously the FLA and its affiliates take their commitment to improving their performance in this historically challenging area. For the first time, the FLA is using its annual workplace assessment process to show companies what workers in their supply chain are actually being paid, and how these wages compare to benchmarks like national poverty lines, union wage demands, and living wage estimates. It is not yet a pretty picture.

It is my hope that the FLA's renewed focus on fair compensation globally will yield demonstrable progress that improves the lives of workers and inspires greater multi-stakeholder collaboration with the FLA and

its affiliates. There is space at the table for any company, labor union, worker's rights organization, or any other stakeholder who believes that no man or woman who puts in a 40-hour work week should be living in poverty - not in the United States, or Mexico, or China, or Egypt, or Bangladesh, or anywhere else.

The most challenging part of this plan is beginning now as companies come under obligation to take action. This will include both advocacy at the government

level regarding minimum wage laws, and concrete steps to make productivity and pricing decisions that will make adjustments in wage levels possible at suppliers and company producers. Recognizing that these negotiations will not be easy, I am nevertheless optimistic that the FLA partners will make an important contribution to fairness in all of the global industries in which they are engaged.

### **Leadership in Sustainable Compliance**

When the Apparel Industry Partnership made its first proposals to President Clinton nearly 20 years ago, the public reporting of workplace conditions was a radical idea. In

**“An organization-wide commitment to public reporting of conditions at specific factories and farms – backed up by the obligation to correct violations found – remains unique to the FLA.”**

many ways, it still is. While the trend toward greater transparency over the last two decades has resulted in “corporate responsibility reporting” becoming quite commonplace, an organization-wide commitment to public reporting of conditions at specific factories and farms - backed up by the obligation to correct violations found - remains unique to the FLA.

The addition of wage-data collection is just the most recent innovation to the FLA's assessment methodology. Other

enhancements have included reporting on root-cause analysis for violations found, and providing FLA recommendations for remediation strategies. I am proud that the FLA has maintained the strong commitment to transparency and public reporting established early on, that this reporting focuses on driving improvement, and that the FLA's assessment methodology has continued to evolve with the times.

With the strong new emphasis on fair compensation mechanisms, I am hopeful that the FLA will be able to engage with a much broader array of companies, labor rights advocates, unions, and governments to achieve a fair global economy.

# LETTER FROM THE PRESIDENT

*Sharon Waxman*

In December of 2015, I was honored to join the Fair Labor Association (FLA) as the organization's new president and CEO. Most of this report concerns FLA accomplishments prior to my arrival, and it was precisely the initiatives detailed in these pages that inspired my interest in leading the next phase of the FLA's journey.

My career in government and in the non-profit sector has focused on implementing international human-rights standards at the grassroots level, whether supporting workers, refugees, advocates for democracy, or others. Several inspiring developments from 2015 give me confidence that I have joined a dedicated and passionate group of colleagues committed to advancing that type of human rights work. In particular, the following areas of progress stand out

to me as indicative of the ways the FLA can continue to lead in protecting workers worldwide.

## **Tracing Supply Chains Beyond Tier One**

It was my great privilege to announce very shortly after my arrival at the FLA that the US Department of Labor had awarded us with a \$4.87 million cooperative agreement to test newly developed US government guidelines to reduce child labor in tier-four of the supply chain. In collaboration with the Turkish Ministry of Labor, we are working with three of our company affiliates to detect and remediate instances of child and forced labor in the hazelnut sector in Turkey. We believe this work will yield supply chain improvements in Turkey, and will also enhance FLA staff capacity and company



**Sharon Waxman** joined the FLA in December 2015 after serving as Vice President for Public Policy and Advocacy at the International Rescue Committee (IRC), where she advocated for refugee rights and led a global team based in Africa, the Middle East, Brussels, Geneva, London, New York, and Washington. As Deputy to the Undersecretary of State for Civilian Security, Democracy and Human Rights in the Clinton State Department, she worked extensively on international labor, human trafficking, refugee rights and other human security issues. For more than a decade, she served as Senior National Security Advisor to U.S. Senator Edward Kennedy (D-MA). Sharon has served on the Board of the US Global Leadership Coalition, which includes members of the business, development, and humanitarian communities, and is a member of the Council on Foreign Relations.

knowledge and experience in tracing supply chains beyond tier one, which can be applied to future projects with other commodities. Already, the FLA is working with apparel and footwear companies to trace cotton and leather supply chains beyond the first tier (see page 52), and we know that as more companies choose to deepen their social responsibility efforts, the demand for expertise deeper into supply chains will continue to grow.

### **Transparency: Public Factory List Disclosure**

For the first time, the FLA's annual public report provides recognition for FLA affiliated companies that voluntarily disclose their factory lists to the public online (see page 33). With more socially conscious consumers and investors demanding greater transparency from companies, it is encouraging to see an increasing level of disclosure. Many companies include details such as factory locations and worker count in their disclosure, and one affiliate has embarked on even deeper supply chain disclosure, providing locations of spinning mills and cotton farms. This report recognizes 11

“The FLA is working with companies to trace supply chains beyond the first tier; we know that as more companies choose to deepen their social responsibility efforts, the demand for expertise deeper into supply chains will continue to grow.”

companies that were disclosing their factory lists in 2015. As an indication that greater transparency is a growing trend, five more affiliates informed FLA staff during the preparation of this report that they would be releasing public factory lists in 2016.

### **Government and NGO Engagement: Fair Wages and Workers' Rights**

Also in 2015, the FLA continued to pursue government engagement efforts, collaborating with companies, non-governmental organizations (NGOs), and others

to reach out to governments on issues like inclusive minimum wage-setting, freedom of association, and the rights of refugees in the workplace (see page 12). Collaboration with labor-focused organizations and companies to advance workers' rights through government engagement can have a positive industry-wide effect that complements the achievements of individual stakeholders acting within their own fields of influence. We aim to improve workers' lives worldwide; engaging with national governments is an important part of our strategy for pursuing that goal.

## Delivering the FLA Core Programs

Along with these emerging strategies and initiatives that look to the future, we remain deeply committed to the continued success of the FLA's long-standing core program of workplace and business accountability assessments, investigations, and multi-stakeholder engagement with universities and civil society. For example, in 2015 the FLA third-party complaint and safeguards work (see pp. 29 and 42) had a direct impact on the lives of more than 42,000 workers. In these cases, the FLA successfully worked to facilitate job reinstatement and other remediation of freedom of association violations, to ensure back pay for workers affected by work stoppages and improper dismissals, and to confirm the correct payments to workers' social insurance benefits, among other workplace improvements.

Success at negotiating workplace-level solutions like these requires both a strong mission focus and a commitment to open and constructive dialogue between

stakeholders that are treated as equals – workers and unions; brands and suppliers; and local, national, and international civil society partners. I saw exactly these qualities modeled at the organizational level when I attended an FLA Board of Directors meeting in October of 2015, prior to joining the team as president. There, I was struck by three aspects of the FLA program that inspire great confidence for continuing progress with our work: the commitment to bringing different perspectives to the table,

the safe space for innovative thinking, and the solutions-oriented spirit of collaboration.

“Three aspects of the FLA program inspire great confidence: the commitment to bringing different perspectives to the table, the safe space for innovative thinking, and the solutions-oriented spirit of collaboration.”

These strengths suggest tremendous potential for even greater cooperation to improve the lives of the women and men who manufacture our clothing, shoes, and accessories, and who grow and harvest the food we serve to our families. It is their hard work on our behalf that inspires us to continuously improve the work we do on their behalf. It is my privilege to be leading this unique, collaborative effort to promote and extend truly fair labor conditions to supply chains around the world.

# ADVANCING FAIR COMPENSATION AND RIGHTS AT WORK FOR ALL

“Legal minimum wages should be negotiated in consultation with workers and their trade unions, civil society, employer associations, and suppliers. A fair minimum wage can improve workers’ lives ... [and attract] international companies committed to paying fair compensation in their supply chains.”

— *The FLA and four affiliated companies writing to government officials in Georgia*



## ***FLA Engagement on Issues Facing Workers in Global Supply Chains***

In early 2015, the FLA took a major step toward realizing long-standing organizational and affiliate commitments to ensure that workers in global supply chains earn fair compensation for their labor, as required by the FLA Workplace Code of Conduct.

At its February meeting, the FLA Board of Directors unanimously approved implementation of the organization’s new Fair Compensation Work Plan, as drafted by FLA staff in 2014, and refined through consultations with all stakeholder groups at the end of that year.<sup>1</sup> The plan was discussed, debated, and passed, following a multi-stakeholder panel discussion on fair wages that included representatives from the AFL-CIO, the ISEAL Alliance, Oxfam, FLA Participating Companies Nestlé and Patagonia, and the US government. Following its passage, the plan was published on the FLA website.<sup>2</sup>

As one of the first steps of the work plan, FLA staff began assembling a Technical Working Group to guide the work’s progress, including representatives from each FLA affiliate group, as well as three external academic experts on fair compensation in global supply chains. This group began meeting in March of 2015, and worked with FLA staff to devise the tools and guidance necessary to implement one of the critical early components of the fair compensation work – the introduction of a comprehensive wage-data

<sup>1</sup> Find background on the drafting of the Fair Compensation Work Plan in the FLA’s 2014 Annual Public Report: <http://www.fairlabor.org/report/2014-annual-public-report>

<sup>2</sup> <http://www.fairlabor.org/global-issues/fair-compensation/about-this-work>

**Wage data collection by FLA workplace assessors in 2015 formed the basis of the FLA's first annual report on compensation in global supply chains.**

Complete report: [www.fairlabor.org/global-issues/fair-compensation](http://www.fairlabor.org/global-issues/fair-compensation)



**TOWARD FAIR COMPENSATION  
IN GLOBAL SUPPLY CHAINS:**

FACTORY PAY ASSESSMENTS IN 21 COUNTRIES

AUGUST 2016



collection effort as part of the FLA's annual factory and farm assessment cycle. This data collection by all FLA workplace assessors began in the summer of 2015.

At the same time, FLA staff began researching and organizing country-level compensation benchmarks, including legal minimum wages, union wage demands, CSO living wage estimates, and national poverty lines, to compare against the verified wage data collected by FLA assessors. The 2015 wage data showed that workers in factories assessed by the FLA in Cambodia, the Dominican Republic, India, Jordan, the Philippines, and Sri Lanka were earning average wages close to World Bank poverty lines, and that average wages in Bangladesh fell below the World Bank poverty line for a family of three.

Analysis of the data also concluded that the minimum wage served as a major determinant of workers' compensation levels in most of the factories visited by the FLA in 2015, and the FLA calculated that minimum wages were set below World Bank poverty lines in Bangladesh, Jordan, Sri Lanka, and Mexico. Where minimum wages fall below FLA Code of Conduct standards, the Fair Compensation Work Plan calls for the FLA and affiliates to identify the best opportunities for engagement with national governments.

As data was being collected in the summer and fall of 2015, the FLA identified two countries for government engagement - Myanmar and Georgia - which were not included in the 2015 data collection, but have been added to the FLA's data collection efforts for 2016.

**FAIR COMPENSATION  
TECHNICAL WORKING  
GROUP:**

**Mary Bean**, *Columbia Sportswear*

**Drusilla Brown**, *Tufts University*

**Karen Daubert**, *Washington University in St. Louis*

**Richard Fairchild**, *University of Utah*

**Kathy Hoggan**, *University of Washington*

**Alexander Katz**, *Patagonia*

**Doug Miller**, *Northumbria University*

**Ashim Roy**, *New Trade Union Initiative*

**Leslie Shull**, *Delta Galil*

**Ylva Stiller**, *Syngenta*

**Daniel Vaughan-Whitehead**, *International Labour Organization*

**Lynda Yanz**, *Maquila Solidarity Network*

## **MYANMAR AND GEORGIA: Engaging Governments on Fair Compensation**

In July of 2015, as the government of Myanmar prepared to establish a new legal minimum wage, trade associations in Myanmar were lobbying for an exemption that would specifically allow garment workers to be paid less than the minimum wage. In opposition to this unfair exemption, the FLA and 17 company affiliates sent a letter to the Ministry of Labor in Myanmar challenging the trade associations' assertions that higher minimum wages would discourage international business investment in Myanmar, and strongly supporting worker-inclusive minimum wage negotiations in all countries where FLA affiliates source.

“Our concern is that any exemption negotiated for the garment industry would lead to hundreds of thousands of garment workers not having a wage that meets their basic needs,” wrote the companies and the FLA in the joint letter.

On September 1, 2015, the new minimum wage of 3600 kyats (around \$2.80) for an eight-hour workday went into effect in Myanmar, with exemptions only for workers in small businesses that employ fewer than 15 people. The blanket exemption for garment workers was dropped. An October 2015 report from Oxfam International recognized the FLA's leadership – along with the Ethical Trading Initiative (ETI) – in organizing US and European brands to express strong support for meaningful and inclusive minimum wage negotiations in Myanmar, and cited brand support as influential in countering the push for an exemption for garment workers.

In August, the FLA and four affiliated companies sourcing from the Republic of Georgia sent a similar letter to the Georgian Ministry of Labor in support of inclusive negotiations to update a too-low, decades-old minimum wage for garment workers. Georgia's out-of-date 1990s-era monthly minimum wage of 20 lari (around \$8.50) for private sector workers falls far behind local living wage estimates and average wages for public sector workers. Letter signatories called for a higher minimum wage to improve workers' lives, and also called for the Georgian government to ratify ILO conventions 26 and 131 concerning the setting of minimum wages. The government had not acted by the publication of this report.

## **TURKEY: Advocacy for Syrian Workers' Rights**

Together with the ETI, in March of 2015 the FLA co-organized a roundtable meeting in Istanbul with nearly 100 brands, unions, civil society organizations, academics, UN officials, Turkish government officials, and others to discuss different perspectives on the challenges posed by the Syrian refugee crisis for global brands sourcing from Turkey. This meeting built upon the FLA's efforts in 2014 to provide advice for companies seeking to protect the rights of refugees in their supply chains, and to urge the government in Turkey to develop a legal framework for employing Syrian migrant workers.

The diverse participants at the roundtable discussion agreed that the refugee crisis in Turkey had brought two core values of running a socially responsible business into

direct conflict – companies’ respect for Turkish law (where legal recognition of Syrian workers was not yet permitted), and their respect for internationally recognized human rights of migrant workers. The FLA committed to following up on the ideas shared at the roundtable, such as deeper supply chain monitoring efforts to better protect refugees at the subcontractor level, and Arabic-language training for refugees on company codes of conduct and workers’ legal rights. Participants identified urging the government to advance a bill to provide work permits for refugees as a top priority.

The FLA and its multi-stakeholder counterparts in Europe continued to monitor the situation closely, and in October, the FLA, ETI, and the Fair Wear Foundation, organized 50 brands sourcing from Turkey to write to the Turkish Minister of Labor and Social Security expressing strong support for legal work permits for foreigners under temporary protection. Legislation to provide work permits to refugees, drafted in 2015, was passed in January of 2016, and the FLA moved quickly to provide English, Arabic, and Turkish translations and guidance to all FLA-affiliated brands.

## ISSUE BRIEFS: FLA GUIDANCE ON GLOBAL SUPPLY CHAIN ISSUES

The FLA publishes regular issue briefs for affiliated companies on conditions in specific countries that might pose special challenges in achieving compliance with the FLA Workplace Code of Conduct. Among the issues covered in 2015:

**1) Protection Contracts in Mexico** – A “protection contract” is a collective bargaining agreement (CBA) signed between a factory and an employer-controlled union that does not truly represent workers – a serious violation of workers’ rights to freely associate and bargain collectively. This brief provided companies with a list of indicators that FLA assessors look for to determine if a CBA has been signed with a legitimate union, and recommendations on what companies should do if they suspect a protection contract is in place with a supplier.

**2) Collective Bargaining in Turkey** – To legally negotiate a CBA in Turkey, unions are required to meet an industry-wide threshold for membership – an unreasonably high bar given that the textile and garment industries include more than one million workers. This restriction means that a union with the support of the great majority of workers within a given factory is not legally entitled to negotiate with factory management. This brief encouraged companies to support workers and unions seeking to secure collective agreements with factories, whether the industry threshold has been met or not.

**3) Housing Provident Fund in China** – The Housing Provident Fund is a legally required benefit for workers, established by the Chinese government to help middle and low-income workers meet their housing needs. FLA assessments in recent years demonstrate that more than 90 percent of assessed suppliers in China fail to contribute to this benefit, denying workers funds due to them to help with the rent, maintenance, or purchase of their home. This brief stressed to companies sourcing from China that they must require suppliers to provide full payment of Housing Provident Fund contributions.

Find all FLA issue briefs online at [www.fairlabor.org/global-issues/issue-briefs](http://www.fairlabor.org/global-issues/issue-briefs).

# AFFILIATION AND ACCOUNTABILITY: COMPANIES AND UNIVERSITIES

Participating Companies and Suppliers pursue accreditation of their social compliance programs as a primary goal of their work with the FLA.

All affiliated companies commit to upholding the FLA Workplace Code of Conduct in their production sites, and to upholding the FLA Principles in their business operations.

## ***Working Toward More Responsible Supply Chains***

When companies affiliate with the Fair Labor Association, they commit to upholding the FLA Workplace Code of Conduct in their production sites (whether factory or farm), and to upholding the FLA Principles of Fair Labor Responsible Sourcing or Production in the operation of their business.

Some companies voluntarily affiliate with the FLA as a public demonstration of their commitment to decent working conditions and fair compensation in their supply chains. Other companies affiliate with the FLA because their licensing contracts require them to do so; FLA-affiliated universities bring all of their collegiate licensees into the FLA with them. These companies gain access to the FLA's tools and resources for incorporating responsible practices into the management of their supply chains, and universities gain access to FLA reporting on their affiliates' social compliance efforts, to help them make informed licensing decisions. All affiliates gain access to FLA events, panel discussions, educational materials, webinars, and opportunities for multi-stakeholder collaboration on difficult systemic supply chain issues.

Even the smallest university licensees, measured by revenue, must commit to upholding the FLA Principles and Code of Conduct and may participate in FLA training opportunities. Larger licensees must expand on this commitment, reporting to the FLA on their social responsibility efforts – and on their strategies for continuous improvement – to help universities make informed sourcing decisions. For the largest licensees (with



Brianna Kilcullen, prAna's Social Responsibility and Traceability Manager, with workers in India producing for prAna

revenues of more than \$50 million), the FLA also conducts annual external monitoring and publication of FLA findings about working conditions in licensees' collegiate-sourcing factories.

The top level of FLA affiliation for companies extends the commitment to public reporting of workplace conditions beyond collegiate-sourcing facilities to encompass all of a company's tier-one facilities. These brands, known as "Participating Companies," also work with the FLA to strengthen their headquarter-level social compliance programs, in pursuit of FLA accreditation. In addition, Participating Suppliers - several of which supply to Participating Companies or FLA-affiliated collegiate licensees - pursue accreditation of their social compliance programs as a primary goal of their work with the FLA.

The following companies achieved accreditation in 2015:

### **prAna**

prAna Living LLC, headquartered in Carlsbad, California, is an owned subsidiary of Columbia Sportswear Company, an FLA-affiliated Category B Licensee. A manufacturer of women's and men's active apparel for yoga, hiking, climbing, swimming, and other fitness pursuits, prAna

"Since affiliating with the FLA in 2010, prAna has not only had access to a network of the world's leading brands in social compliance, but has also had the opportunity to partner with peers on strategic initiatives and collaborate on capacity building and remediation. Becoming an accredited Participating Company with the FLA has also provided transparency and accountability for upholding best practices in human and labor rights in our supply chain. We look forward to continuing to be a part of the FLA and driving change in the industry through a multi-stakeholder approach."

– Brianna Kilcullen, Social Responsibility & Traceability Manager, prAna



Workers at a facility in Cambodia that produces sportswear for Outerstuff

“We would like to take this opportunity to thank the FLA Team for their guidance, experience, and patience that allowed us to achieve accreditation. Identifying gaps, providing insights, and highlighting strengths helped us enhance and develop a compliance program that is needed throughout Outerstuff’s complex global supply chain. ... [T]he FLA allows the opportunity for collaboration among multi-stakeholders; this dialogue helps deliver safer workplaces, better wages, and personal empowerment for workers in the supply chain and in their communities.”

-- Nathan Fleisig, Compliance Manager,  
Outerstuff, Ltd.

was founded in 1993, joined the FLA as a Participating Company in 2010, and was acquired by Columbia in 2014.

Prior to accrediting prAna’s social compliance program, the FLA conducted a total of eight factory assessments in facilities producing for prAna in four of its eight sourcing countries: Cambodia, China, India, and Taiwan. FLA staff also shadowed prAna internal auditors on factory assessments in the United States and China, and conducted all components of headquarter-level due diligence, including interviews with staff, extensive document review, verification of self-assessments, and a visit to corporate headquarters.

In the resulting accreditation report, FLA staff took note of the close involvement of prAna’s top management in the company’s commitment to social compliance, with the CEO serving as the chair of the group that leads the company’s sustainability efforts. The report also recognized prAna’s relationship-building practices with its suppliers, such as inviting suppliers demonstrating innovation or excellence to share their best practices at an annual

supplier summit. prAna also congratulates suppliers on their social compliance successes and works to motivate improvement where needed by and sharing with them the results of prAna's internal sourcing scorecard, which includes an assessment of factories' commitment to fair labor practices.

In November 2014, prAna demonstrated its commitment to fair compensation and freedom of association as one of nine FLA-affiliated signatories of a public 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 for committing to purchasing practices to support this. Because of prAna's demonstrated commitment to business practices that protect workers and support their rights, at the February 2015 Board of Directors meeting, the FLA's multi-stakeholder Board approved the accreditation of prAna's social compliance program.

### Outerstuff

Founded in 1983, Outerstuff specializes in producing sports apparel under licensing contracts the company

## SYNGENTA'S SEED SUPPLY CHAIN IN INDIA:

*First Accreditation of an Agricultural Social Compliance Program*

**In October of 2015**, the FLA Board of Directors approved accreditation for Syngenta's social compliance program in its hybrid seeds supply chain in India, the first accreditation of an agriculture program in the FLA's history.

The FLA has worked closely in India with Syngenta since 2006, when FLA and Syngenta staff began collaborating on a project to develop the company's first country-wide internal monitoring system for farms in its seed supply chain. In 2007, Syngenta began monitoring its Indian production of vegetable seeds (okra, watermelon, eggplant, sweet pepper, corn, tomato, and hot pepper), expanding the program in 2010 to cover field crop seeds (corn, rice, and sunflower). In India, Syngenta sources vegetable and field crop seeds from more than 25,000 small-holder farmers (those farming five acres or less) in the states of Andhra Pradesh, Gujarat, Karnataka, and Maharashtra.

Syngenta formally joined the FLA as a Participating Company in February 2009.

Over the course of Syngenta's affiliation, the FLA has recorded farm-level improvements in child labor, health and safety standards, and farmers' awareness of Syngenta's workplace code of conduct. The FLA has also detected the need for serious improvement in ensuring that workers in the Indian seed supply chain are paid at least the minimum wage. In 2015, Syngenta and the FLA began organizing a multi-stakeholder forum, to be held in January 2016, to address the systemic underpayment of workers – especially women – in some sectors of India's agriculture supply chains (see page 41 for more).

In addition to visiting seed farms in India, FLA assessors also inspect working conditions at Syngenta-supplying farms in other countries of Southeast Asia, Europe, and South America. The FLA is currently examining the social compliance programs in operation in these countries, as Syngenta pursues further accreditation of its social compliance program.



## INCREASING STUDENT AWARENESS OF LABOR RIGHTS ISSUES

*Students Have a Role in Holding University Licensees Accountable for Working Conditions in Factories Producing Collegiate Gear*

**In September 2015**, the FLA launched a new Student Engagement Program pilot project intended to provide an opportunity for students interested in global labor rights issues to learn more about collegiate licensee supply chains.

Designed to run for one full school year, the project set out to explore how to increase informed dialogue between students and FLA-affiliated universities, in pursuit of the shared goal of improving conditions for workers who make collegiate-logoed products. The program began with three students, working on their own campuses under the supervision of their schools' licensing staff. Each student devoted at least one hour per week to learning about workers' rights issues, and helping university staff use FLA resources to make informed licensing decisions.

The FLA's University Program provided monthly educational webinars for the student participants, facilitating presentations from guest speakers such as academics with labor rights expertise, and representatives from FLA-affiliated licensees. Students reported back to their supervisors on the content of the monthly sessions, and were encouraged to offer their perspectives on ways universities might strengthen their social responsibility commitments.

Program participants came from varied backgrounds, including fashion merchandising, business management, and international development.

"I have a strong interest in human rights and international development, and this program provided a tangible opportunity for me to learn about what is going on with workers' rights around the world and how I can tie that in to our university's products," said Jenna Epstein, a program participant from Washington University in St. Louis.

Student Engagement Program participants planned to meet in person at the annual University Advisory Council meeting in March of 2016, with the program concluding at the end of the school year. University Program staff will assess the success of the pilot program the following summer in determining how to build a more long-term engagement program to launch at the beginning of the 2016 school year.



## ONLINE SUPPLY CHAIN TRAINING FOR LICENSEES AND UNIVERSITIES

holds with other FLA-affiliated brands: Participating Companies adidas-Group and Nike, and the Category B Licensee VF Corporation. Collectively, these companies hold the licensing contracts for Major League Baseball (MLB), Major League Soccer (MLS), the National Basketball Association (NBA), the National Collegiate Athletic Association (NCAA), the National Football League (NFL), and the National Hockey League (NHL). Outerstuff also manufactures MLB, MLS, NBA, NFL, and NHL apparel through direct licenses with each league.

Since first affiliating with the FLA as a Category C licensee, Outerstuff has progressively strengthened its commitment to the FLA program, first by opening its collegiate supply chain to FLA assessments by transitioning to Category B status in 2010, and finally by transitioning to Participating Company status in 2012, initiating the FLA accreditation process. Outerstuff relies on the audits of its licensors in lieu of conducting its own internal monitoring program, focusing its compliance efforts on remediation, responsible purchasing practices, and communication of workplace standards to suppliers.

By the time of the company's FLA accreditation, Outerstuff was sourcing from 11 countries, and had received FLA factory assessments in three of those countries: Bangladesh, El Salvador, and Indonesia. FLA staff also shadowed Outerstuff licensor auditors on factory assessments in the United States and China, shadowed Outerstuff company staff on a pre-sourcing compliance review with a potential new supplier, and conducted all components of headquarter-level due diligence.

*eLearning Modules Offer Instruction on Factory Monitoring, Corrective Action, Worker Communication, and More*

**Beginning in the fall of 2015**, through a partnership with a service provider, the FLA offered 500 licensees and universities the opportunity to engage with a year-long series of online training courses designed to help participants address gaps in their social compliance programs and fix problems in their supply chains. The FLA provided participants with access to 40 specific eLearning modules on topics like “how to create a corrective action plan,” “environmental protection in global supply chains,” and “communicating and consulting with workers.” Participants were asked to complete seven training modules per quarter, in pursuit of continuous education about the challenges of managing a global supply chain, and how to make responsible sourcing choices that protect workers.

In the resulting accreditation report, FLA staff recognized Outerstuff's collaboration with independent labor monitors in the resolution and remediation of issues raised by third-party complaints in its sourcing facilities in Central America, as well as the company's voluntary initiation of FLA-led supplier investigations to safeguard against workplace abuses. Additional highlights of Outerstuff's accreditation report include its thorough onboarding process familiarizing new suppliers with Outerstuff's



FLA staff provide training on affiliation requirements and steps toward accreditation, at Liz Fashion, in Dhaka, Bangladesh, in Oct. 2015.

labor rights requirements, and the use of daily communication between Outerstuff sourcing staff and suppliers to reduce the likelihood of an Outerstuff purchasing decision triggering negative consequences on the factory floor. For these reasons and others as detailed in the report, at the October 2015 Board of Directors meeting, the FLA’s multi-stakeholder Board approved the accreditation of Outerstuff’s social compliance program.

### **New Participating Supplier:**

**Liz Fashion** – Based in Gazipur, Bangladesh, Liz Fashion Industry Ltd. manufactures sportswear and underwear for customers in Europe, North America, Australia, and China. Founded in 1997 with ten sewing lines, the company now employs approximately 4,250 workers, carrying out the full range of production processes, including knitting,

cutting, sewing, embroidery, printing, and packing. In addition to annual social compliance audits for its customers, in 2014 Liz Fashion received inspections from both the Bangladesh Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety; its FLA assessments begin in 2016.

### **New Participating Companies:**

**Fast Retailing** – A publicly traded Japanese retail holding company, Fast Retailing was founded in 1949 as Ogori Shoji Co., Ltd., and became Fast Retailing in 1984. In addition to its primary global retail brand, UNIQLO, Fast Retailing manufactures a number of other brands, including Gu, J Brand, Princesse Tam-Tam, and Comptoir des Cotonniers. Since 2011, Fast Retailing has partnered with the Grameen Bank Group on “Grameen UNIQLO” a Bangladesh-based brand with an economic

## ACCREDITED BY THE FLA



**HANES**  
Brands Inc



**adidas**  
GROUP



**SANMAR**



**gear**  
FOR SPORTS.



**GILDAN**



**syngenta** \*\*

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

\*\* The FLA accredited Syngenta's social compliance program in India.

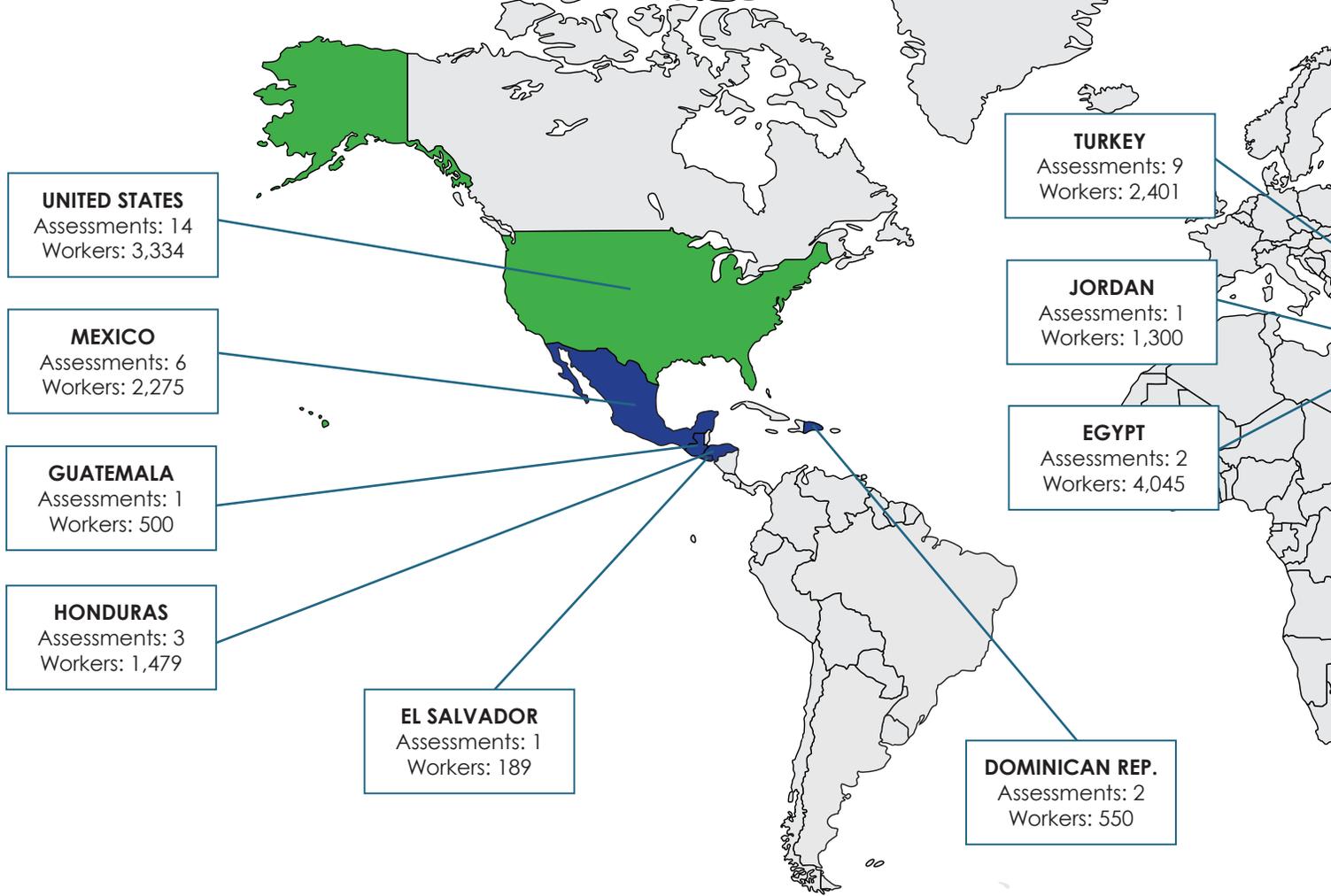
development mission, manufacturing affordable clothing for local populations with locally procured materials.

**Outerknown** – With the affiliation in 2015 of the California-based apparel and accessories start-up Outerknown, the FLA marks the first time in its history that a company will have been FLA-affiliated since the launch of the business. Professional surfer Kelly Slater, founder of the company, demonstrates his company's top level commitment by declaring prominently on the company website that, "I created Outerknown ... to lift the lid on the traditional supply chain and prove that you can produce great-looking menswear

in a sustainable way." Privately owned Outerknown also counts as a minority investor the French fashion company Kering, which owns FLA-affiliated brands Puma and Volcom.

### New Category B Licensees in 2015:

- BBC International
- Cheryl's Cookies
- Dooney & Bourke
- FTD.com
- Kids Headquarters
- Pelican Products
- Reynolds Consumer Products
- Yeti Coolers

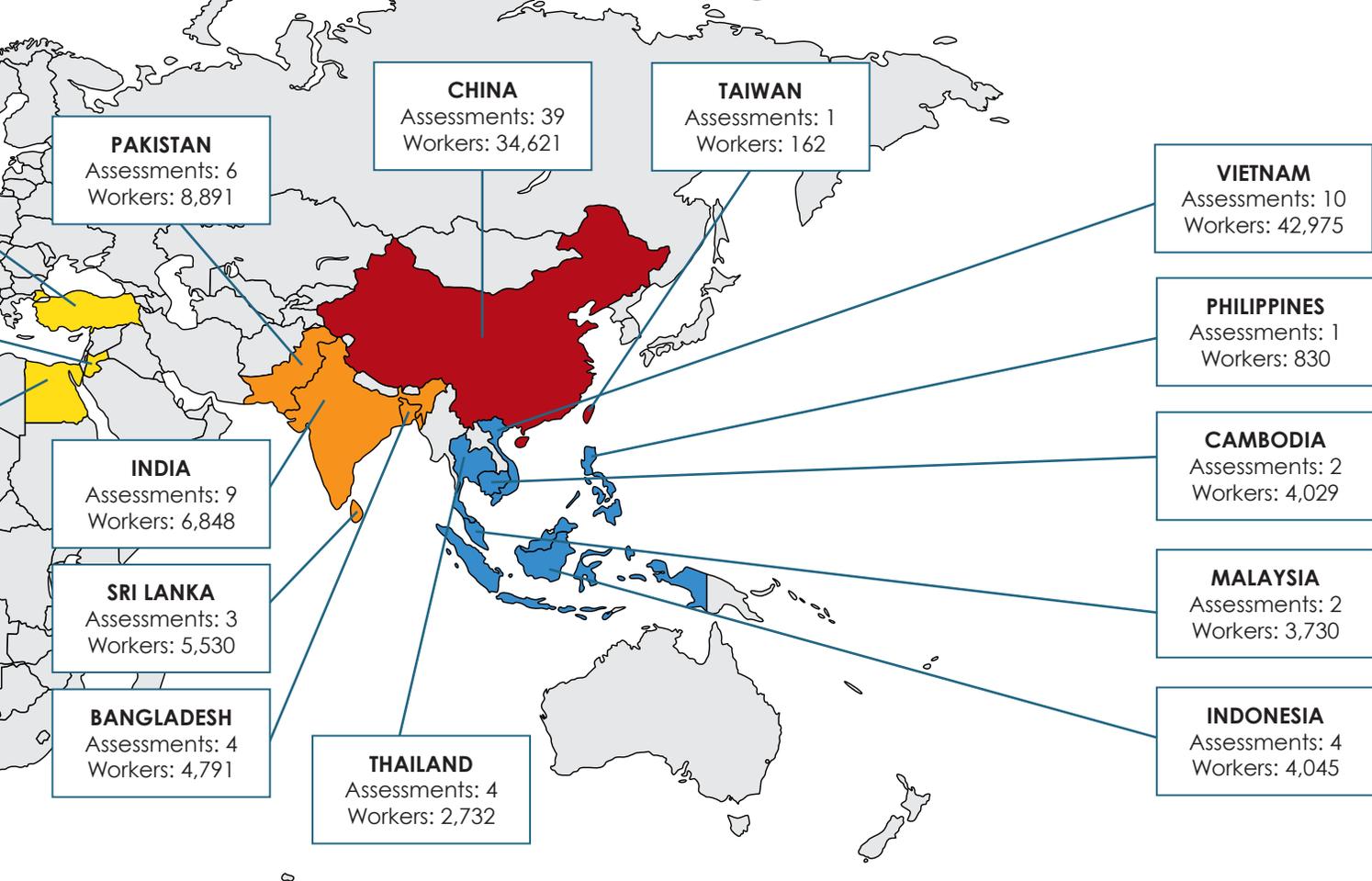


## ASSESSING WORKPLACE ADHERENCE TO INTERNATIONAL LABOR STANDARDS

### *FLA Factory-Level Due Diligence in 2015*

Detecting violations of the FLA Workplace Code of Conduct during workplace assessments and prompting their remediation by FLA-affiliated companies is one of the core functions of the FLA Accountability program. In 2015, the FLA conducted a total of 124 workplace assessments of factories owned or contracted by FLA Participating Companies and Suppliers, or Category B collegiate licensees.

The FLA chose these factories from a total of around 4,750 factories submitted by FLA-affiliated companies for potential assessment. FLA staff identify factories for assessment using a risk-weighted random selection method that ensures an unbiased selection process while making sure that factories in countries considered high-risk for poor working conditions have a higher likelihood of being chosen for due diligence. The FLA's 2015 assessments took place in 21 countries, and directly affected around 135,000 of the more than 4.5 million workers in factories covered by the FLA program.



## NUMBER OF ASSESSMENTS CONDUCTED, AND WORKERS AFFECTED, BY COUNTRY, 2015

The resulting public reports (compiled in the “Workplace Monitoring Reports” section of the FLA website<sup>1</sup>) provide companies, universities, civil society organizations, and the general public with valuable insight into workplace conditions. The assessments help inform companies’ own internal monitoring programs; the FLA’s requirement that companies develop remediation plans for all Code of Conduct violations found can help companies remediate similar violations found elsewhere.

The FLA conducts two forms of Sustainable Compliance Initiative (SCI) assessment, known as “baseline” and “foundational.” In 2015, FLA field staff conducted 11 baseline

assessments (the more in-depth of the two) at facilities wholly owned by FLA-affiliated brands and suppliers, with 113 foundational assessments conducted at contract facilities. Baseline assessments include a root-cause analysis for every finding, along with recommendations for sustainable improvement, while foundational assessments include FLA recommendations only on those findings requiring immediate action.

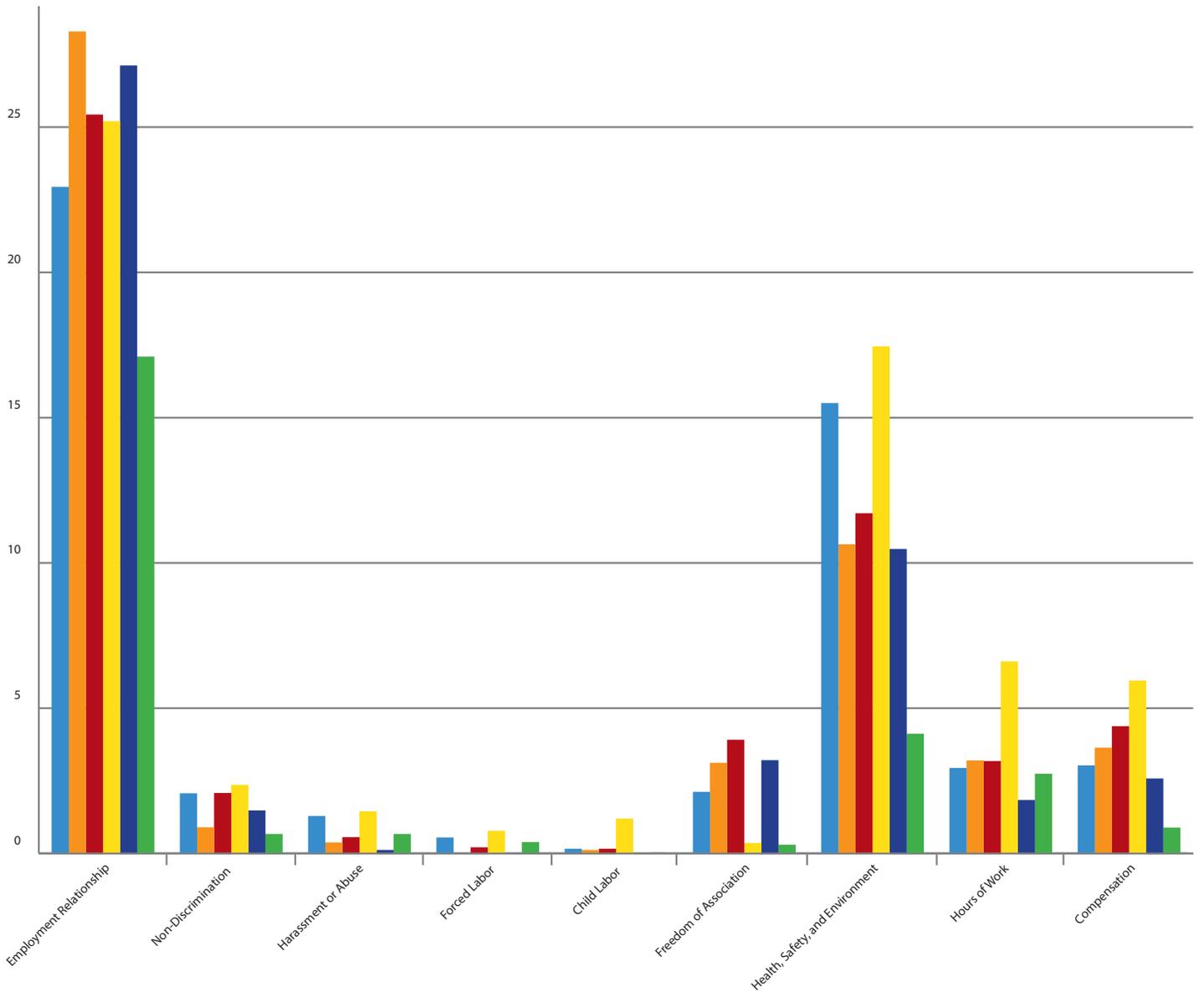
To clearly articulate the specific requirements for achieving compliance with each of the nine broad labor standards encompassed by FLA Code of Conduct, the FLA maintains a comprehensive list of discrete benchmarks<sup>2</sup> that factories must meet. For example,

<sup>1</sup> <http://www.fairlabor.org/transparency/workplace-monitoring-reports>

<sup>2</sup> The entire list of benchmarks is available on the FLA website at <http://www.fairlabor.org/our-work/code-of-conduct>

# COMPARISON OF CODE ELEMENT VIOLATIONS BY REGION

This graph compares the average number of findings per assessment under each FLA Code element, grouped by the regions where the FLA conducts assessments.



- SOUTHEAST ASIA:** Cambodia, Indonesia, Malaysia, Philippines, Thailand, Vietnam (23 assessments)
- SOUTH ASIA:** Bangladesh, India, Pakistan, Sri Lanka (22 assessments)
- EAST ASIA:** China, Taiwan (40 assessments)
- EMEA:** Egypt, Jordan, Turkey (12 assessments)
- MEXICO & CENTRAL AMERICA:** Dominican Rep., El Salvador, Guatemala, Honduras, Mexico (10 assessments)
- UNITED STATES** (14 assessments)

because there are many factors involved in upholding acceptable health and safety standards in a factory, the FLA assesses for 27 different specific benchmarks, including measures of a factory's evacuation preparedness, proper chemical maintenance, provision of potable drinking water for workers, and design of workstations to minimize body strain.

Each code element listed below includes an elaboration on certain benchmarks that resulted in noteworthy findings for 2015.

## Non-Discrimination

**ND.2** *Recruitment and Employment Practices*

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

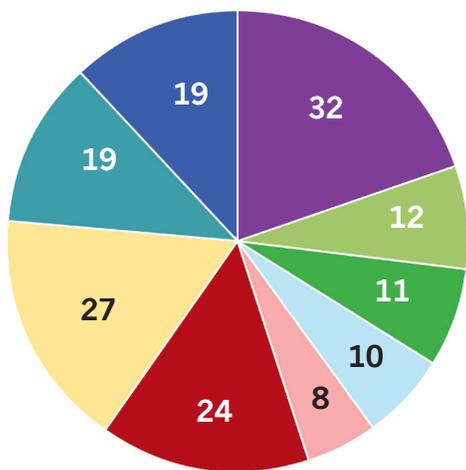
When employers ask unnecessary personal questions as part of their recruitment interview process, or on a job application,

FLA assessors count this as indicating potential discrimination in hiring and employment. In addition to relatively more common discriminatory questions about marital and pregnancy status, in 2015 FLA assessors found questions on job applications related to property ownership and military service for a factory in Turkey, and workers' political opinions for a factory in China; at one factory in Guatemala, job applicants were asked to disclose their number of children. FLA assessors found potentially discriminatory hiring practices in around 42 percent of their factory visits in 2015, and found just slightly more factories (43 percent) violating the non-discrimination benchmark on protection and accommodation of pregnant workers or new mothers, usually by failing to protect them from workplace hazards (roughly one-third of the findings), or by failing to track workers' status to guard against excessive hours of work (another third of the findings).

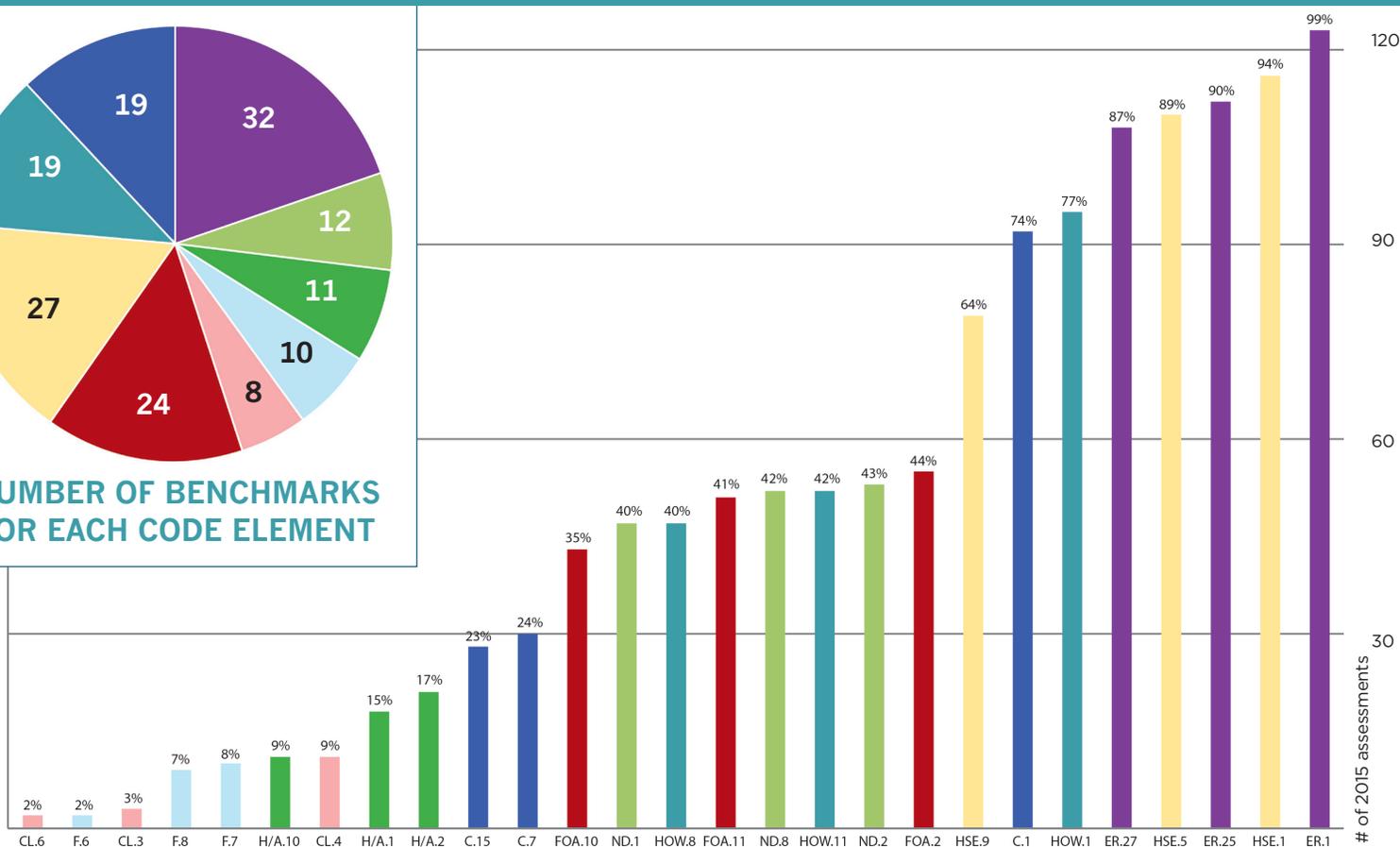
Workers at an FLA Participating Company's owned facility in El Salvador (below), and at FLA Participating Suppliers in China (p. 28), and Vietnam (p. 31)



# TOP THREE BENCHMARK VIOLATIONS PER CODE ELEMENT, 2015



NUMBER OF BENCHMARKS FOR EACH CODE ELEMENT



## EMPLOYMENT RELATIONSHIP

- ER.1 General/Human Resource Management Systems
- ER.25 Industrial Relations (Grievance Procedures)
- ER.27 Work Rules and Discipline (Written Records & Communication)



## 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



## 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



## HOURS OF WORK

- HOW.1 General Compliance, Hours of Work
- HOW.8 Forced Overtime/Exceptional Circumstances
- HOW.11 Annual Leave



## HARASSMENT OR ABUSE

- H/A.1 General Compliance Harassment or Abuse
- H/A.2 Discipline/Monetary Fines and Penalties
- H/A.10 Security Practices/Body Searches



## HEALTH, SAFETY & ENVIRONMENT

- HSE.1 General Compliance, Health, Safety & Environment
- HSE.5 Evacuation Requirements and Procedures
- HSE.9 Chemical Management and Training



## FORCED LABOR

- F.6 Freedom of Movement/Employer Controlled Residence
- F.7 Workers' Ability to Terminate the Employment Relationship
- F.8 Forced Overtime



## COMPENSATION

- C.1 General Compliance, Compensation
- C.7 Calculation Basis for Overtime Payments
- C.15 Record Maintenance



## CHILD LABOR

- CL.3 Government Permits and Parental Consent Documentation
- CL.4 Employment of Young Workers
- CL.6 Young Workers Identification System

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*Nearly two-thirds  
of factories fell short  
on requirements for managing  
hazardous chemicals.*

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## Health, Safety, and Environment



**HSE.1** *General Compliance, Health, Safety & Environment*

**HSE.5** *Evacuation Requirements and Procedure*

**HSE.9** *Chemical Management and Training*

With the exception of one US factory making collegiate-logoed paper products, and one US factory making collegiate-logoed rugs, each factory visited by FLA assessors in 2015 included at least one finding related to worker health and safety. Of perhaps greatest concern, the great majority of factories visited by the FLA (89 percent) were assessed as not prepared to evacuate their facilities effectively in the event of an emergency. FLA assessors check not only for clear aisles and exits, working alarm systems, and the presence of fire-safety equipment like sprinklers and fire extinguishers, but also for adequate training of workers on evacuation procedures, and annual evacuation drills. Also, assessors found nearly two-thirds of factories (64 percent) failing to manage hazardous chemicals correctly or to train workers on how to handle these chemicals. For example, assessors found diesel fuel stored improperly in factories in Bangladesh, China, and Vietnam, and in both China and Turkey they found fuel-contaminated water being discharged directly into the environment. In all cases related to training workers on how to protect their health and the health of the environment, the FLA also counts it as a health-and-safety-related violation if training materials are not available in the local languages of the workers, a situation found in Bangladesh, Cambodia, India, Malaysia, and Turkey in 2015.

## NOTABLE FEATURES

*Exceptional factory performance  
noted by FLA assessors*

**In addition to monitoring** for required compliance with the FLA Workplace Code of Conduct, FLA factory assessors also document their findings of especially worker-friendly programs that deserve special commendation in the FLA's public factory assessment reports. In 2015, assessors reported on factories that provide meal or transportation subsidies for workers, and one factory that not only organizes an annual sight-seeing/team-building field trip for all employees but also pays a year-end bonus, calculated based on the factory's annual profit, each individual's performance, and length of service to the factory.

In one noteworthy case in 2015, assessors found that a small 53-worker facility in China producing apparel for GTM Sportswear was making employee contributions for all five forms of social insurance for employees who have worked at the factory for more than 15 years. Six workers were receiving this benefit, which represents truly exemplary performance in an environment in which most assessed factories do not provide even the required employer contribution.

## Forced Labor



### F.8 Forced Overtime

The FLA Workplace Code of Conduct requires that all overtime be consensual and voluntary, “including for overtime mandated to meet exceptional circumstances.” In three US factories, two factories each in Vietnam and Turkey, and one factory each in China and Jordan, assessors found that overtime was mandatory, which is a forced labor violation that must be corrected by adjustments to the factory’s policies. In some cases, the presence of a mandatory overtime policy may indicate a more systemic problem with a factory’s production planning and hours of work management. For example, in one of the factories in Turkey, assessors found that factory management regularly planned for a production schedule of 51.5 hours per week, threatening termination for workers who refused the regularly planned overtime hours. These management procedures resulted in workers forced

regularly to exceed the daily legal limit of 11 hours of work, workers exceeding the 60-hour weekly limit in the FLA Code for several months, and specific legal violations of overtime limits for pregnant workers, young workers, and workers participating in a government training program.

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*More than three-quarters of factories did not consistently comply with the 60-hour workweek limit.*

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## Hours of Work



### HOW.2 Rest Day

### HOW.4 Protected Workers/Regulations on Hours of Work

### HOW.11 Annual Leave

Even when overtime is consensual, a supplier’s over-reliance on voluntary overtime hours can still lead to the types of hours-of-work violations described at the Turkish factory above. Among the 124 factories assessed by the FLA in 2015, 87 percent violated at least one of the FLA’s hours of work benchmarks, with 64 percent violating at least three benchmarks, and 25 percent violating five benchmarks or more. The most common violation (at 77 percent of factories) involved failure to meet general compliance with the FLA’s 60-hour workweek limit, followed by 40 percent of factories failing to provide annual leave as required, and 30 percent of factories failing to provide one rest day for every seven days of work. Another 30 percent of factories were found





## FLA VERIFICATION OF SOCIAL INSURANCE REMEDIATION BY POU CHEN

**In April of 2014**, workers at the Pou Chen Group, a Participating Supplier with the FLA, went on strike in Gaobu, Dongguan, China, protesting that Pou Chen was not making the contributions for social insurance and housing benefits employers are required to pay under the law. According to Chinese national law, all employers must contribute on behalf of the workers in five categories of social insurance (basic pension, basic medical, unemployment, work-related injury, and maternity), and also make Housing Provident Fund contributions, to help workers meet their housing needs.

In response to workers' demands, Pou Chen agreed to correct its social insurance and Housing Provident calculations moving forward, and to provide retroactive benefits to all interested workers, along with improved training and communications on the social benefit programs. Pou Chen began its remediation efforts in May of 2014, with the FLA scheduled to conduct an independent verification one year later. In the July 2015 verification report, the FLA found that Pou Chen now makes full and complete social benefit payments on behalf of each worker, calculated in compliance with all legal requirements.

In addition, because the corrections to the social benefits procedure require workers to increase their own social insurance contributions, Pou Chen established a "Subsistence Allowance" program that supplements workers' wages to help offset the decrease in workers' accustomed amount of take-home pay. At the same time, Pou Chen has created and implemented a robust system for providing retroactive payments for all workers who want them. Overall, 30 percent of eligible workers had elected to participate in the retroactive social insurance program, with this program nearing completion at the time of the FLA verification. The retroactive Housing Provident Fund program was just over half complete at the time of the verification, with around 80 percent of workers choosing to participate.

The FLA recognizes Pou Chen's successful implementation of its program, and affirms its expectation that all affiliates sourcing from China ensure that workers receive their social benefits in full compliance with national law.

to be disregarding local hours-of-work laws that protect pregnant women or young workers. At one factory in Cambodia where assessors recorded seven findings related to hours of work, a third of the workforce was working more than 60 hours per week regularly from May to November of 2015. Workers clocked as many as 83 hours per week, regularly working 13 days consecutively (and sometimes working for an entire month or more) without a day of rest.

## Compensation



**C.7** Calculation Basis for Overtime Payments

**C.10** Deposit of Legally Mandated Deductions

As reported in the FLA's first comprehensive report on compensation for 2015, one of the most common compensation violations involved employers' failure to correctly calculate workers' overtime payments in nearly one quarter (23 percent) of all facilities visited. Specifically in China, assessors continued to find widespread disregard of Chinese legal requirements to provide contributions to five types of social insurance and Housing Provident Fund payments. Only one factory in China was found to be calculating and making correct Housing Provident Fund contributions, and only a small minority of factories (21 percent)

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*Assessors found 17 percent of factories using monetary fines as a method of workplace discipline.*

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were calculating social insurance payments correctly. Sixty-nine percent of factories were not providing workers with one or more kinds of social insurance at all. While the FLA has identified non-payment of social insurance in China specifically as a persistent issue, assessors also found non-compliance with social benefits laws at factories in Egypt, Mexico, Pakistan, Philippines, Thailand, Turkey, the US, and Vietnam. See page 29 for more on how one Participating Supplier has developed a strong and successful program for implementing correct social insurance payments, and see the FLA's report "Toward Fair Compensation in Global Supply Chains"<sup>3</sup> for more 2015 compensation reporting.

## Harassment or Abuse



**H/A.2** Discipline/Monetary Fines and Penalties

**H/A.10** Security Practices/Body Searches

In 17 percent of factories assessed in 2015, the FLA found the use of monetary fines and penalties as a form of discipline for workers, which translates into a finding of harassment or abuse for the FLA. Denying earned wages to workers to control workplace behavior represents serious harm for workers' livelihood, especially in production environments where wages may already be low, or close to World Bank poverty levels, as documented in the FLA's compensation report for 2015. When workplace discipline must occur, the FLA's Code of Conduct requires a progressive system of escalation (as explained in benchmark 27 of the "Employment

<sup>3</sup> <http://www.fairlabor.org/report/toward-fair-compensation-global-supply-chains-factory-pay-assessments-21-countries>



Relationship” code element) that does not affect workers’ financial wellbeing. In three of these cases, factory management also posted public notices naming those whose wages had been docked, a further harassment-related violation of the FLA Code. Assessors also found nine percent of factories engaging in pat-downs of workers as standard practice when workers exit factory premises; FLA Code standards permit this practice only with a legitimate reason (not as daily practice), only in private, only in a gender-appropriate and non-obtrusive way, and only with workers’ consent.

## Freedom of Association



**FOA.10** *Employer Interference in Formation or Operation of Unions*

**FOA.11** *Employer Interference in Election and Administration of Unions*

In five of six factory assessments conducted in Mexico in 2015, the FLA found infringement of workers’ associational rights by factory

management. Assessors determined that while so-called “unions” were in place in these factories, in fact these unions functioned without any elections or worker participation, and the collective bargaining agreements in place merely affirmed that factories would meet minimum legal requirements. These bargaining agreements also required workers to be enrolled in the company-controlled “union,” on threat of termination, which runs counter to Mexican law. (The FLA provided guidance in 2015 to affiliated companies on how to detect the presence of sham unions or “protection contracts” in Mexico, and steps for pursuing remediation; see page 13.) The FLA also found varying levels of management interference with unions in Bangladesh, India, Jordan, Pakistan, Sri Lanka, and Thailand, with factories in both China and Vietnam consistently flagged during assessments with a finding that workers’ right to freedom of association is not respected, due the absence of workers’ legal right to form independent unions in those countries.

## Child Labor



**CL.4** *Employment of Young Workers*

**CL.6** *Young Workers Identification System*

In 2015, FLA assessors reported no instances of confirmed child labor in any of the 124 factories they visited, compared to one confirmed finding in 2014. In one factory in India, assessors did find inconsistencies in the age-verification documents provided by factory management, which could indicate that workers who were of working age at the time of the assessment had been hired years earlier as child workers. Other 2015 findings categorized under the “child labor”

## WORKPLACE CODE OF CONDUCT

Find the full **FLA Workplace Code of Conduct** on the FLA website, in Arabic, Bahasa, Bengali, Burmese, Chinese, French, Haitian Creole, Hebrew, Khmer, Portuguese, Punjabi, Spanish, Thai, Turkish, Urdu, and Vietnamese.

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

code element refer to violations of laws or code requirements governing the employment of “young workers,” workers who are younger than 18 but older than 15, or the minimum legal employment age (whichever is higher). For example, several factories in Turkey failed to maintain legally required parental consent documentation for workers between 16 and 18. Other countries require health exams for young workers, or restrict the types or hours of work available to young workers. Overall, nine percent of FLA factory assessments in 2015 included a finding related to the employment of young workers.

### Employment Relationship



**ER.6** *Recruitment and Hiring/Employers Agreement with Employment Agencies*

**ER.11** *Terms and Conditions/Contract, Contingent or Temporary Workers*

**ER.12** *Terms and Conditions/Contract, Contingent or Temporary Worker to Permanent Employee*

Assessment of the “Employment Relationship” code element is designed to help factories develop the policies and procedures they need to maintain strong and worker-supportive management and human resources systems –

and to help improve factory performance related to all other code elements. This element encompasses the largest number of benchmarks (32), and most workplace assessments will include one or more findings that a facility can address and improve its performance in this area. In fact, in 2015, all factories received at least one finding under this code element, and a specific pattern of findings stands out for one country in particular. In the US, most factories assessed included findings that procedures for hiring temporary workers or for dealing with employment agencies were inadequate. In 13 of 14 factories assessed, temporary workers hired full-time were not provided with seniority and other fringe benefits dated from the first date of their contract, as required by the FLA Code. In 12 of 14 facilities, employers did not ensure that fees associated with employment agencies would not be born by the workers, and in 11 of 14 facilities, employers did not ensure equal pay for equal work for temporary employees.

In general, however, US facilities tended to perform better overall on FLA assessments than any other single country. Of the ten facilities with the fewest code violations in 2015, eight are located in the United States, one is located in India, and one is located in Sri Lanka. The ten facilities with the most code violations were located in Bangladesh, Cambodia, India, Turkey, Pakistan, Vietnam, and China (four factories).

### 2015 Factory Assessments<sup>4</sup>

The following charts show where the FLA conducted assessments for all Participating Companies and Suppliers in 2015. Companies

<sup>4</sup> Find information on 2015 farm assessments on page 36.

with social compliance programs that have been accredited by the FLA receive assessments at one percent of their first-tier facilities, whether owned or contracted. For companies working toward FLA accreditation, assessors visit five percent of all first-tier 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.

**Public Factory Lists**

The FLA does not require that its affiliated brands publicly disclose the names and locations of factories from which they source their products, but the FLA does commend those that do, and encourages other companies to follow suit.

As social compliance norms evolve, many more companies are moving toward this level of transparency in their sourcing, and already a number of FLA affiliates — as noted on the chart below — are leading the way and disclosing all or part of their first-tier supply chain. Furthermore, many FLA Participating Suppliers transparently disclose on their websites the production facilities they operate and where they are located.

**For More Information**

For more information on each affiliate, the FLA maintains individual company landing pages at [fairlabor.org](http://fairlabor.org), where all of the most current information about a company’s affiliation can be found.

**2015 PARTICIPATING COMPANIES WITH THE FLA**

PARTICIPATING COMPANY	2015 ASSESSMENTS	UNIVERSITY LICENSEE?	PUBLIC FACTORY LIST?
ABC Gruppen	China (1)		
adidas Group	China (1), Egypt (1), Pakistan (1), Vietnam (1)	YES	YES
	<a href="http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/">http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/</a>		
Apple, Inc.	China (1)		YES
	<a href="http://images.apple.com/supplier-responsibility/pdf/Suppliers.pdf">http://images.apple.com/supplier-responsibility/pdf/Suppliers.pdf</a>		
arena Group	China (1), Sri Lanka (1)	YES	
Colosseum Athletics Corporation	China (1)	YES	
Concept One Accessories	China (1)	YES	
Cutter & Buck	China (1), Malaysia (1)	YES	
Dallas Cowboys Merchandising, Ltd.	Vietnam (1)	YES	
Delta Apparel, Inc.	China (1), Dominican Republic (1), Honduras (1)	YES	

PARTICIPATING COMPANY	2015 ASSESSMENTS	UNIVERSITY LICENSEE?	PUBLIC FACTORY LIST?
<b>Fast Retailing</b>	New in 2015; no assessment due.		
<b>Fenix Outdoor AB</b>	China (2), Sri Lanka (1), Vietnam (1)		
<b>Forty-Seven Brand</b>	China (1)	YES	
<b>Fruit of the Loom</b>	Bangladesh (1)	YES	YES
	<a href="http://www.fotlinc.com/pages/supply-chain.html">http://www.fotlinc.com/pages/supply-chain.html</a>		
<b>GFSI, Inc.</b>	China (1)	YES	YES
	<a href="http://www.gearforsports.com/social-responsibility/index.php/factory-disclosure/">http://www.gearforsports.com/social-responsibility/index.php/factory-disclosure/</a>		
<b>Gildan Activewear, Inc.</b>	China (1)		
<b>GTM Sportswear</b>	China (1)	YES	
<b>H&amp;M Hennes &amp; Mauritz AB</b>	China (2), India (4), Turkey (7)		YES
	<a href="http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html">http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html</a>		
<b>Hanesbrands</b>	Honduras (1)		
<b>Hugo Boss</b>	Turkey (1)		
<b>J. America Inc.</b>	China (1), Pakistan (1)	YES	
<b>Kathmandu</b>	China (2), Vietnam (1)		
<b>Knights Apparel</b>	Egypt (1)	YES	
<b>Lakeshirts, Inc.</b>	India (1)	YES	
<b>Mountain Equipment Co-op (MEC)</b>	China (1), India (1)		YES
	<a href="https://www.mec.ca/en/explore/factories/">https://www.mec.ca/en/explore/factories/</a>		
<b>New Balance Athletic Shoe, Inc.</b>	Indonesia (1), Vietnam (1)	YES	YES
	<a href="http://www.newbalance.com/about-new-balance-content-assets/inside-nb-investing-in-people.html">http://www.newbalance.com/about-new-balance-content-assets/inside-nb-investing-in-people.html</a>		
<b>New Era Cap Co., Inc.</b>	Sri Lanka (1)	YES	
<b>Nike, Inc.</b>	China (2), India (1), Indonesia (2), Malaysia (1), Mexico (1), Pakistan (1), Thailand (2)	YES	YES
	<a href="http://manufacturingmap.nikeinc.com">http://manufacturingmap.nikeinc.com</a>		
<b>Outdoor Cap</b>	China (1)	YES	
<b>Outerknown</b>	New in 2015; no assessment due.		
<b>Outerstuff, Ltd.</b>	Egypt (1)	YES	
<b>Patagonia</b>	Philippines (1)		YES
	<a href="http://www.patagonia.com/us/footprint">http://www.patagonia.com/us/footprint</a>		
<b>prAna</b>	India (1)		
<b>Puma SE</b>	Turkey (1), Vietnam (1)		YES
	<a href="http://about.puma.com/en/sustainability/supply-chain/public-factory-list">http://about.puma.com/en/sustainability/supply-chain/public-factory-list</a>		
<b>PVH Corp.</b>	Bangladesh (1), China (1)		
<b>s.Oliver Group</b>	Bangladesh (1), India (1), Indonesia (1), Pakistan (1), Turkey (1)		

PARTICIPATING COMPANY	2015 ASSESSMENTS	UNIVERSITY LICENSEE?	PUBLIC FACTORY LIST?
SanMar Corporation	Cambodia (1)		
Top of the World, LLC	Vietnam (1)	YES	
Under Armour	China (2), Jordan (1), Malaysia (1), Vietnam (2)	YES	
Volcom	China (1), Guatemala (1)		
W.L. Gore & Associates GmbH	China (1)		
Zephyr Graf-X	China (1)	YES	YES
	<a href="http://www.zhats.com/blogs/news/124877891-zephyr-graf-x-manufacturer-and-supplier-disclosure">http://www.zhats.com/blogs/news/124877891-zephyr-graf-x-manufacturer-and-supplier-disclosure</a>		

## 2015 PARTICIPATING SUPPLIERS WITH THE FLA

PARTICIPATING SUPPLIER	2015 ASSESSMENTS	PRODUCTION COUNTRIES	# OF SITES/FACTORIES
Brooklyn Manufacturing	No assessment conducted (not due)	El Salvador	1
Chenfeng Group	China (1)	China	6
Delta Galil Industries Ltd.	Egypt (1)	Bulgaria, Egypt, Israel, Jordan, Thailand, Turkey	7
Esquel Group	Vietnam (1)	China, Malaysia, Mauritius, Sri Lanka, Vietnam	23
Forward Sports, Ltd.	Pakistan (1)	Pakistan	1
Grupo Miguel	El Salvador (1)	El Salvador	1
Kay & Emms Pvt. Ltd.	Assessment due in 2015; postponed to 2016	Pakistan	1
KTC Limited	No assessment conducted (not due)	China, Laos	2
Liz Fashion	New in 2015; no assessment due	Bangladesh	1
Mainland Headwear	No assessment conducted (not due)	Bangladesh, China	2
Maxport Ltd.	Vietnam (1)	Vietnam	8
Pou Chen Group	Vietnam (1)	Bangladesh, Cambodia, China, Indonesia, Mexico, Myanmar, Vietnam	26
River Cross Sewing	No assessment conducted (not due)	Mexico	1
Textiles Opico	No assessment conducted (not due)	El Salvador	1
VT Garment Co. Ltd.	No assessment conducted (not due)	Myanmar, Thailand	3
Yee Tung Garment Co. Ltd.	Cambodia (1)	Cambodia, China, Jordan, Vietnam	8

# AGRICULTURAL SUPPLY CHAINS: FLA MONITORING AND VERIFICATION

The FLA expects labor standards to be communicated and applied to the complete workforce across the entire farm level

The FLA assessed working conditions at farms in seven countries in 2015, visiting cocoa-producing communities in Ivory Coast that supply to Nestlé and Olam; farms in Argentina, Brazil, Hungary, India, and Thailand that supply seeds to Syngenta; and two different commodity supply chains in Turkey – seed suppliers to Syngenta, and hazelnut suppliers to Nestlé, Olam, and Balsu. All assessed farms supplying to Syngenta produced corn or sunflower seeds, except for some farms in India that produce both vegetable seeds and field crops such as rice.

## Comprehensive Community Due Diligence

In each community where the FLA monitors farm-level working conditions, FLA assessors interview company staff about their own internal program at this level of their supply chain, if the company has a local office. Assessors conduct external stakeholder consultations with relevant local civil society organizations and government officials to determine any local issues that might require extra attention, and they visit any supply chain intermediaries, like “seed organizers” in some parts of Syngenta’s supply chains, labor contractors

in the Turkish hazelnut sector, and cooperatives in the Ivorian cocoa sector.

This comprehensive level of due diligence is very important to helping assessors understand the local context, including how much direct contact – if any – each company tends to have with the farmers and farmworkers in their supply chain.

2015 AGRICULTURAL SUPPLY CHAIN ASSESSMENTS	
Assessments Conducted	40*
Verifications Conducted	8
Farms Visited	779
Acres Under Cultivation	20,772
Workers	3790 total, 1518 interviewed
Young Workers (15 - 18)	225 total, 171 interviewed
Child Workers (younger than 15)	30 total, 26 interviewed

\*Assessments may cover one farm or may cover many, many farms clustered together.



An FLA assessor interviews sunflower workers in Hungary.

For example, in Argentina and Brazil, Syngenta directly hires the seasonal workers involved in the peak activities of their seed production, and supervises their work on land managed by farmers who parcel out small tracts of large farms for Syngenta to grow seeds. By contrast, in India and Thailand, most of the Syngenta supply chain is composed of much smaller, often family-run, farms. These smallholder suppliers are organized regionally by intermediaries known as “seed organizers,” with less direct contact between farmers and company staff.

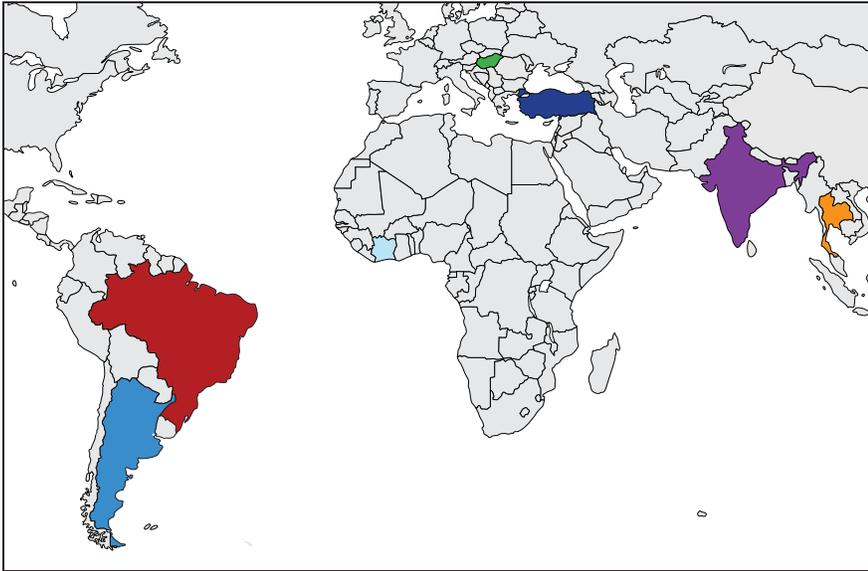
Similarly, in hazelnut production in Turkey, migrant workers are often hired by intermediary labor contractors, and transported to harvest and production locations with limited oversight by company staff. Many other working arrangements may also be very informal, consisting of arrangements between neighbors or family members (especially in Ivory Coast, India, and Thailand), or consisting of daily or seasonal workers hired by farmers. When possible, the scope of an FLA assessment is tailored to account for these specific relationships, and to capture information on code compliance at each level.

### **Toward Code Compliance at Every Level**

The FLA expects labor standards to be communicated and applied to the complete workforce across the entire farm level, and not only to the workforce directly hired by each company. This can require different systems for reaching workers in different regions and supply chains, depending on how workers are organized, and successful implementation can be easier when the company maintains more direct contact with the workers.

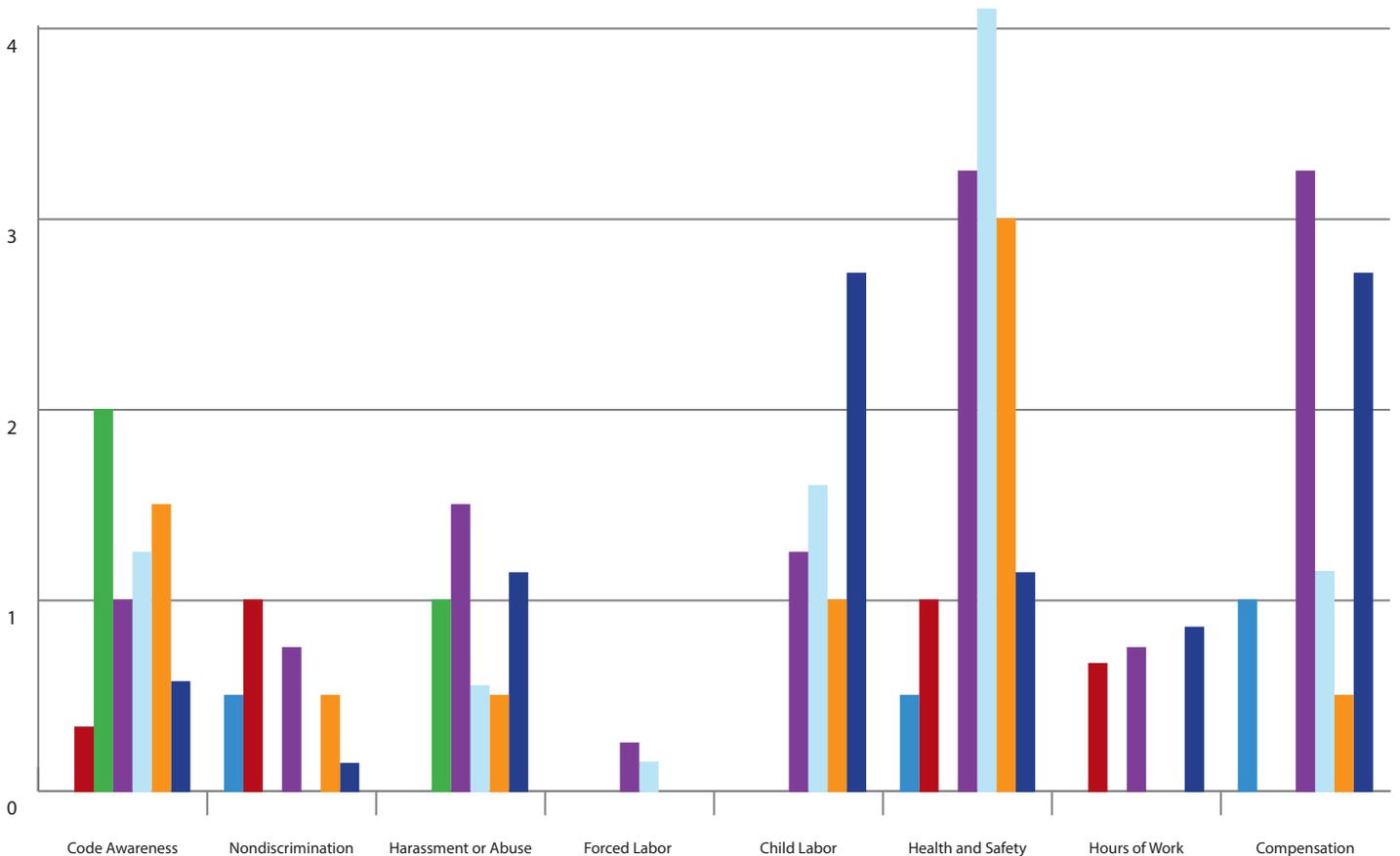
For example, FLA assessors tend to find greater worker awareness of available grievance mechanisms wherever workers have been hired directly by the company. FLA Principles require that all workers have access to functioning grievance mechanisms, including multiple reporting channels, of which at least one is confidential. Similarly, assessors find that across all agricultural supply chains, a lack of record-keeping by supply chain intermediaries hampers efforts to verify companies’ code compliance.

# AVERAGE CODE OF CONDUCT VIOLATIONS PER ASSESSMENT, BY COUNTRY



This graph compares the average number of findings per FLA Code element in each country where the FLA conducted agricultural assessments in 2015.

Known systemic issues highlighted by this comparison of the data include: issues with minimum wage compliance in India and Turkey; child labor findings in Turkey, Ivory Coast, India, and Thailand; and health and safety issues, particularly in cocoa production.



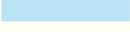
Without age records for workers, the presence of child labor can sometimes be obscured, and without payroll records, payment of legal minimum wages to workers cannot be confirmed. To address these issues, in Turkey, Balsu, Olam, and Nestlé, have distributed handbooks to farmers on how to maintain code compliance records, and in several Syngenta-producing countries, the company distributed “Grower Documentation Kits,” providing similar training on how to document working hours, wages, and ages.

**2015 Verification of Company Remediation**

Among the 2015 agricultural assessments, the FLA conducted four verification visits for Syngenta and four for Nestlé, reporting progress on remediation activities at specific farms, villages, communities, or cooperatives to correct for violations uncovered by previous FLA assessments. For Syngenta, the FLA returned to the Konya Province in Turkey, the Pobpra district of Tak Province in Thailand, the Khamman district of Andhra Pradesh in India, and the Southern Great

Plain region of Hungary. For Nestlé, the FLA returned to communities in the Béliér and Gôh provinces of Ivory Coast. Key findings from these verification visits include:

- **Ivory Coast:** Assessors encountered a lower rate of child labor reporting among farming families two years after visiting the same communities; while one young worker was observed in hazardous working conditions in 2013, none were observed in 2015. Other issues such as awareness of grievance mechanisms among workers, provision of personal protective equipment, and maintenance of payment records between farmers and workers still required improvement.
- **Hungary:** Assessors identified progress on provision of personal protective equipment to workers, presence of first-aid kits at the farms, and training for emergency preparedness. Other issues like insufficient documentation of workers’ ages and wages kept by labor contractors still required improvement.

	COUNTRY <sup>1</sup>	CROP(S)	ASSESSMENTS	COMPANY
	Argentina	Corn, sunflower	2	Syngenta
	Brazil	Corn	3	Syngenta
	Hungary	Sunflower	1	Syngenta
	India	Tomato, rice, hot pepper	4	Syngenta
	Ivory Coast	Cocoa	20	Nestlé, Olam
	Thailand	Corn	2	Syngenta
	Turkey	Hazelnuts, corn	7	Balsu, Nestlé, Olam, Syngenta

<sup>1</sup> The FLA also conducted one assessment in the sunflower supply chain of Romania in 2015. Syngenta ceased operations in Romania shortly after this assessment. Findings were shared with the company to help inform the development of Syngenta’s global compliance program, but have not been included in this report.

## NEW FARM-LEVEL MONITORING BENCHMARKS FOR AGRICULTURE:

### The FLA's Agriculture Working Group

completed its adaptation of FLA compliance benchmarks to the workplace realities of agricultural supply chains in 2015, with the FLA Board of Directors voting to adopt these new benchmarks at its October meeting.

The revised benchmarks take into account the conditions workers face in the deeper tiers of agricultural affiliates' supply chains, as well as specific circumstances unique to business models that must account for seasonality of crops and informal work arrangements. They were developed in consultation with agriculture-focused companies and civil society organizations and differ from the FLA's standards for manufacturing primarily in that they:

- May be applied differently for farms with informal labor structures (mostly small-holder farms) than for farms with formal structures;
- Allow for both "minimum benchmarks" (requiring immediate compliance) and "progress benchmarks" requiring continuous improvement; and
- Recognize family farming relationships as distinct from employee-employer relationships, while protecting all workers' basic rights.

The FLA will use these benchmarks to inform any future FLA work with apparel and electronics brands that goes beyond their final-assembly factories and deeper into their supply chains, and they will be used by assessors visiting agricultural supply chains beginning in 2016. Find them on the FLA website at: [www.fairlabor.org/agriculture-principles](http://www.fairlabor.org/agriculture-principles)

- **India:** Assessors found that Syngenta's educational activities conducted since the initial assessment had raised awareness among their growers that the company follows a code of conduct, but this progress had not yet translated into code compliance on wages paid to farmworkers, a known systemic issue in Karnataka, Andhra Pradesh, and Maharashtra. Gender-based discrimination on wages continued to be found by FLA assessors, and most workers were found to be earning less than the minimum wage.
- **Thailand:** While assessors reported that supplier awareness of the company prohibition on child labor was higher on the verification visit than the initial assessment, this awareness has not resulted in implementation of procedures to prevent child labor at the farm level. After assessors identified an instance of child labor at the visited farm, they also found that no company policy was in place to govern next steps for rehabilitation of the child worker.
- **Turkey:** The initial assessment found some workers failing to earn minimum wages due to deductions of commission for labor contractors, and a lack of awareness by workers of the minimum wage they were due. Since the initial visit, assessors found that workers are generally more aware of the wages they are due, but that labor contractor deductions continued, along with the risk of some workers being paid less than the minimum wage.

Find complete verification reports, and full reports of all of the FLA's agricultural assessments at [fairlabor.org](http://fairlabor.org).



## THE FLA CONDUCTS 2015 PROCUREMENT PRICES INVESTIGATION FOR SYNGENTA

**Toward the end of 2014**, a European civil society organization that monitors the corporate social responsibility behavior of multinational companies released a documentary reporting on instances of exploitative high-interest money lending to farmers in rural Andhra Pradesh, India.

Because some Syngenta-supplying farmers and workers were included in the report, Syngenta requested that the FLA conduct its own 2015 investigation of the presence or absence of exploitative money lending in its supply chain. The FLA appointed an independent research team to conduct a comprehensive assessment of Syngenta's hybrid seeds supply chain in India including its price model, system of interest-free cash advances, the role of third-party seed organizers, farmers' credit needs, and the common sources of financing for farmers.

The researchers found interest rates charged by seed organizers to Syngenta-producing farmers ranging from 18 to 24 percent, which farmers reported was not considered exploitative in Andhra Pradesh and Karnataka. The investigation also confirmed what FLA assessments continue to document – that legal minimum wages are often not paid to farm workers in Syngenta's seed supply chain. Investigators identified too-low procurement prices (sometimes calculated without regard for the true cost of paying workers a legal minimum wage) as among the root causes of both farmers' vulnerability to usurious lending and their failure to legal minimum wages to farmworkers. Based on the outcome of this investigation, the FLA recommended that Syngenta review its methods for calculating procurement prices, and began working with Syngenta on a plan to pilot test solutions in 2016 for ensuring payment of at least minimum wages.

# INVESTIGATING WORKPLACE COMPLAINTS REPORTED BY THIRD PARTIES

To safeguard against workplace violations that may go undetected by company or FLA assessment processes, the FLA maintains a Third Party Complaint process designed to investigate reports of non-compliance and put in place meaningful and sustainable remediation.

**While the FLA requires affiliated companies** to monitor their supply chains, and the FLA annually monitors a portion of company supply chains, no assessment program can catch every instance of non-compliance with the FLA Workplace Code of Conduct or the FLA Principles. In addition, violations related to workers fundamental rights – such as systemic freedom of association violations – may be more difficult to detect on a single site visit by a factory assessor.

Any worker, union, civil society organization, licensor, company, or other involved party may request investigation into violations of the FLA Workplace Code of Conduct or the FLA Principles. To be considered within the scope of the Third Party Complaint process, the facility to be investigated must be in the supply chain of an FLA-affiliated company, and the complaint must relate to a specific element of the Code or the Principles. The FLA maintains an online tracking chart of the progress of complaints received, along with an explanation of whether the complaint was accepted for investigation, and the outcome of all investigations.

The following charts summarize complaints resolved by the FLA in 2015. Detailed reports of each investigation are linked from the tracking chart on the FLA website.

## THE FLA'S FOUR-STEP THIRD PARTY COMPLAINT PROCESS

### STEP ONE: Receiving the Complaint

The complaint must contain specific information about an alleged violation of the FLA Workplace Code of Conduct or Principles, occurring within the applicable supply chain of an FLA-affiliated company.



### STEP TWO: Internal Assessment by the Company

The FLA Participating Company or Licensee is permitted up to 45 days to investigate the alleged violation internally, or may request that the process go directly to Step Three. At this stage of the process, the FLA may publicly report the names of the companies and factories involved in the complaint.

# NICARAGUA

FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
Troon Manufacturing	Freedom of Association	adidas	Worker	April 2015
<b>OUTCOME:</b>	<i>Four workers who reported being dismissed for union organizing were reinstated in their jobs, with payment of lost wages and benefits, and restoration of seniority.</i>			
New Holland	Freedom of Association	adidas Under Armour	Worker	May 2015
<b>OUTCOME:</b>	<i>A process was established for reinstating a worker who reported unfair dismissal for union activity.</i>			

# INDIA

FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
Gokaldas	Health and Safety	adidas	Civil society organization	May 2015
<b>OUTCOME:</b>	<i>Factory management remedied some of the health and safety violations confirmed by the FLA (such as placing medical personnel within the factory, as required by the state of Karnataka in India) and developed a remediation plan to address those that remained.</i>			

### STEP THREE: FLA Investigation of the Complaint

The FLA determines whether to further investigate any complaint, based on the initial report from the company, and may engage a third-party expert to do so.



### STEP FOUR: Remediation

If the FLA finds that the Code of Conduct or Principles were violated, then the FLA Participating Company or Licensee must develop an appropriate remediation plan and work with any suppliers involved to correct the problem, make any necessary restitution to workers, and implement sustainable remediation to ensure that violations do not recur.



In July 2015, FLA staff, the Maquila Solidarity Network, and Honduran Ministry of Labor officials witness the signing of an agreement between worker and union representatives and factory management on the implementation of a remediation plan resulting from a Third Party Complaint.

HONDURAS				
FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
Petralex	Freedom of Association	adidas, Box Seat Clothing, Dallas Cowboys Merchandising, Gear for Sports, Outerstuff, Under Armour	Union	July 2015
<b>OUTCOME:</b>	<i>Factory management reinstated 19 workers illegally terminated for union affiliation, and agreed to provide retroactive payments for time lost during their dismissal.</i>			

EL SALVADOR				
FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
Style Avenue	Compensation	College Kids, Outerstuff	Union	July 2015
<b>OUTCOME:</b>	<i>Workers received back pay after an improper suspension of work at the factory.</i>			
Impression Apparel	Freedom of Association, Compensation	Tailgate Clothing	Union	November 2015
<b>OUTCOME:</b>	<i>Factory management refused to cooperate with the FLA assessor charged with investigating the complaints. Although Tailgate Clothing worked to persuade the factory to permit the investigation, factory management continued to block access to the facility, and Tailgate ultimately terminated the sourcing relationship.</i>			

## TURKEY

FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
Karacabey	Freedom of Association	Nestlé	Workers	August 2015
<b>OUTCOME:</b>	<i>Twenty-two of 23 workers alleging unfair dismissal for union activity were reinstated in their jobs; one worker elected to accept a compensation package instead.</i>			

## PERU

FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
COFACO	Compensation	Under Armour	Worker	September 2015
<b>OUTCOME:</b>	<i>The factory agreed to correct its payment processes to prevent late payments, and to establish a training program to help workers better understand the factory's wage calculations.</i>			

## DOMINICAN REPUBLIC

FACTORY	CODE ELEMENT OR PRINCIPLE	FLA AFFILIATE INVOLVED	INVESTIGATION REQUESTED BY	DATE RESOLVED
JoeAnne Dominicana	Freedom of association, harassment or abuse	Franklin Sports, Fruit of the Loom	Union	October 2015
<b>OUTCOME:</b>	<i>The FLA could not corroborate the specific freedom of association violation reported here; the factory nonetheless implemented remediation in the form of improvements to the factory's disciplinary processes.</i>			

# CREATING A FACTORY CULTURE OF FIRE SAFETY

“The training encourages workers to identify and suggest their own improvements in factory fire safety. This not only empowers the workers to engage in the fire safety training, but it also supports Nike’s long-term commitment toward going beyond compliance and collaborate with each other on creating a culture of safety in the workplace.”

– Sittichoke Huckuntod, Director of Health, Safety, and Environment,  
Nike

**While periodic assessments by brands**, suppliers, the FLA, or other external monitors may detect gaps in a factory’s fire safety preparedness and bring about prompt remediation, many apparel brands and suppliers have also learned that educating a factory’s workforce on how to develop a successful culture of fire prevention can serve as an even more sustainable workplace safeguard.

That is why the FLA, in partnership with Chartered Occupational Safety and Health Practitioner Dr. David Gold, in 2013 began offering a series of fire safety courses accredited by the Institution of Occupational Safety and Health (IOSH). Available for any brands, suppliers, civil society organizations, government agencies, or others who wish to learn more about fire safety, the courses are designed to provide different levels of instruction to all stakeholders interested in fire safety and prevention in factories. The four courses currently on offer from the FLA are:

**1) Introduction for Workers** – This basic course prepares factory workers on how to identify fire hazards, take action for fire prevention, and respond appropriately to a fire alarm, and on the importance of being empowered to speak out about workplace issues like blocked or locked fire exits.

**2) Introduction for Factory Owners and Managers** – Along with course material similar to the “Introduction for Workers,” this basic course also provides instruction on the importance of fire safety for a factory’s comprehensive health and safety program, and encourages owners and managers to formally incorporate specific fire safety roles among the factory workforce.



Participants in a November 2015 fire safety training in Shanghai.

### **3) Training Program for Workplace Fire Safety Facilitators**

- This more in-depth course is designed for workers, supervisors, occupational health and safety officers, or others who may be responsible for raising fire-safety awareness within a factory, or implementing a successful fire-safety program on site. Participants learn how to establish effective fire prevention plans, how to identify and use various types of fire extinguishers, and how to develop factory action plans in the event of a fire and communicate these plans to workers.

### **4) Master Trainer (Train-the-Trainer)**

**Course** - This highest-level course prepares participants to train workplace fire safety facilitators, owners, managers, workers, and

others on all aspects of fire safety covered by the lower-level courses. Participants must also complete the International Fire Safety and Risk Management Certificate from the National Examination Board in Occupational Safety and Health (NEBOSH) before providing training themselves.

In 2015, representatives from FLA-affiliated brands Columbia Sportswear, Delta Galil, Fruit of the Loom, H&M, Mountain Equipment Co-op (MEC), New Era Cap, Nike, Patagonia, PVH, and VF Corporation took part in one or more of the courses available.

The “Master Trainer” course allows brands to educate their global staff on how to develop company-directed fire safety training programs

COURSE:	DATE	SPONSORED BY:	LOCATION:	# OF PARTICIPANTS:
<b>Introduction for Workers</b>	July/August	Columbia Sportswear, Nike, Patagonia	Guangzhou	42
	October/November	Nike	Istanbul	
<b>Introduction for Factory Owners and Managers</b>	April/May	Fruit of the Loom	Shanghai	54
	July/August	Columbia Sportswear, Nike, Patagonia	Guangzhou	
	October/November	Nike	Istanbul	
<b>Training Program for Workplace Fire Safety Facilitators</b>	April/May	Fruit of the Loom	Shanghai	35
	July/August	Columbia, Nike, Patagonia	Guangzhou	
	October/November	Mountain Equipment Co-op (MEC), New Era	Shanghai	
	October/November	Nike	Istanbul	
<b>Master Trainer Course</b>	July/August	Columbia Sportswear, Nike, Patagonia	Guangzhou	27
	October/November	Nike	Istanbul	

for their own staff and supplier staff around the world. Brands also foster an awareness of effective fire safety in their supply chains by sponsoring participants from their contracted suppliers to attend courses for workplace facilitators, workers, owners, and managers. In November, a civil society representative from Better Work Jordan participated in the Nike-sponsored “Master

Trainer” course in Istanbul, learning techniques he can employ as an advisor to factories in Jordan to enhance fire-safety preparedness.

“In my work, we are providing three kinds of services to factories: assessment, advice, and training,” said Ala’a Alsafi, of his role as a Better Work Jordan enterprise advisor. “The fire safety course really fits with the advisory



An instructor discusses evacuation plans at a fire safety training in Istanbul.

and training role, helping factories understand the importance of assigning fire safety facilitators and building fire safety dialogue between workers and management.”

By the end of 2015, more than 70 participants from 16 countries in Asia, Africa, Europe, and the Americas had completed an FLA fire-safety course for workplace training or master training. Of these, seven participants – including FLA Research and Assessment Manager Huizhen Qian – have become fully certified by IOSH, qualifying them to train others on fire safety in the workplace. For more information about the fire safety courses, or to ask questions about the program, contact [firesafety@fairlabor.org](mailto:firesafety@fairlabor.org).

FULLY CERTIFIED WORKPLACE FIRE SAFETY MASTER TRAINERS		
Name	Company/Organization	Based in:
Hau Chung Cheng	Patagonia	Hong Kong
Yogananda Kote	Nike	India
Man Hong Law	Phillips van Heusen (PVH)	Hong Kong
KR Leslie	Columbia Sportswear	India
Huizhen Qian	Fair Labor Association	China
Shahriar Iqbal Raj	North South University	Bangladesh
Bhawna Dilip Solanki	Freelance Consultant	India

“The Fire Safety Facilitator Training program is a very rigorous program. As a Master Trainer, I not only learned how to teach technical aspects of fire safety, but also mastered skills for training others to become trainers. It has been a great learning experience for me, and also has many benefits for Columbia’s supply chain.”

– KR Leslie, Corporate Responsibility Manager, Columbia Sportswear

# BEYOND TIER ONE: SUPPLY CHAIN INNOVATION AND TRACEABILITY



The FLA is working with communities in Yaokouakoukro and Zaranou on the “Gender Dialogue” project, and conducted “standard supply chain” assessments in the areas around Soubré in 2015.

## ***FLA and Nestlé Work Toward Gender Equality, Greater Monitoring Reach***

Since 2012, the FLA has assessed working conditions at farms in the Ivory Coast producing cocoa for Nestlé under the company’s “Nestlé Cocoa Plan.” This sustainability initiative focuses on around 20 percent of the company’s cocoa supply chain in which Nestlé works collaboratively with the FLA, various certification bodies, the International Cocoa Initiative, and its tier-one suppliers to monitor labor standards and enact the company’s Workplace Code of Conduct at supplier farms.

In 2015, the FLA and Nestlé embarked on two new projects designed to deepen the company’s sustainability commitment in its Ivory Coast supply chains – both inside and outside of its Nestlé Cocoa Plan.

## **Promoting Gender Dialogue in Côte d’Ivoire**

Since July 2014, when the FLA published the report “Assessing Women’s Roles in Nestlé’s Ivory Coast Supply Chain,” Nestlé has prioritized the goal of improving conditions for cocoa-producing women, as a step toward improving conditions in cocoa communities overall. In response to one of the FLA’s recommendations in the 2014 report, in 2015 Nestlé committed to a pilot project designed to provide development support to two women’s associations in its Ivorian cocoa supply chain and to amplify women’s voices in local community affairs. To achieve these objectives, Nestlé and the FLA began implementing a two-year “Gender Dialogue” project in two cocoa-growing communities supplying to Nestlé: Yaokouakoukro (in Gagnoa) and Zaranou (in Abengourou).



Women in Zaranou celebrate after attending an introductory “Gender Dialogue” visit with FLA field staff.

The project activities began in March 2015 with introductory visits to the selected communities. FLA staff met with local leaders and both male and female members of the communities to share information about the project; to identify women’s associations as potential project participants; and to profile the existing infrastructure, opportunities, and challenges for women. For example, among other specific challenges, the FLA has found that women’s work on cocoa farms often goes unrecognized and unreported, with men taking responsibility for collecting a family’s total cocoa payment, thus making a woman’s cocoa income dependent upon a relationship with a man, and limiting women’s economic empowerment overall.

In July of 2015, project staff returned to Yaokouakoukro and Zaranou to conduct a “baseline social impact assessment,” a more in-depth examination of conditions for women, against which later assessments in 2016 will be compared. The next stage of the project consisted of a training visit in the fall of 2015 during which the communities participated in the “Gender Action Learning for Sustainability” program, developed by Oxfam Novib

Work to improve the status of women in cocoa-producing communities can affect a number of pervasive issues, including the use of child labor.

and Hivos International, under the direction of FLA staff and Dr. Linda Mayoux, a globally recognized expert on economic development and women's empowerment.

During this visit, project staff began addressing a number of topics requiring further dialogue within the communities, including discussions on how to increase women's incomes, enhance their economic independence, and strengthen grievance mechanisms available to women in Nestlé's supply chain. As part of the training on economic empowerment, in Yaokouakoukro, project participants identified eight concrete economic diversification projects, such as pig rearing and cassava farming, to be established in the community to help women supplement their incomes beyond their work in cocoa. Final reports on outcomes of the Gender Dialogue project will be published in 2016; ongoing project reporting is available at [www.fairlabor.org/report/gender-dialogue-project-ivory-coast](http://www.fairlabor.org/report/gender-dialogue-project-ivory-coast).

## “Standard” Supply Chain Assessments

For the great majority of Nestlé's cocoa procurement, the company maintains no direct relationships with farmers, and relies on a network of intermediaries and first-tier suppliers to secure access to the cocoa used in the company's products. To broaden its oversight of cocoa supply chains untouched by the Nestlé Cocoa Plan, in 2015 Nestlé contracted with the FLA to conduct its first-ever due diligence work in the “standard supply chain” – an assessment of working conditions in farms providing cocoa to one of Nestlé's tier-two suppliers (also known as a “traitant,” or dealer, in the Ivory Coast).

FLA assessors visited farms in four communities outside of the city of Soubré, interviewing a total of 110 farmers and 322 workers, along with traitant staff and a number of additional intermediaries, such as truck drivers, warehouse workers, “pisteurs”

## ONGOING FLA TRACEABILITY WORK

**Though the FLA factory monitoring program** does not yet cover facilities beyond final assembly factories, FLA affiliates and other stakeholders have increasingly recognized the need to “go beyond tier one” to improve conditions for workers in deeper tiers of the supply chain, such as at spinning mills; at factories manufacturing components for garments, footwear, or electronics; and at farms producing raw materials.

In 2015, in addition to the supply chain innovation projects conducted beyond tier one in the Ivory Coast with Nestlé, the FLA began work

in three additional areas that examine deeper tiers of various supply chains to detect and mitigate child labor and forced labor issues. Work on each of these projects will extend into at least 2016:



**1) Cotton in Turkey** – The FLA in 2015 began working with seven apparel companies – including FLA-affiliated PVH – to trace their cotton supply chains in Turkey, in collaboration



For the standard supply chain report, FLA assessors visited farms in four communities outside of the city of Soubré.

(cocoa-bean collectors), and others. Among the farmers and workers of the standard supply chain, FLA assessors found little awareness of the Nestlé and FLA Workplace Code of Conduct and its provisions. Assessors did find that some of the farms

supplying to the traitant had achieved a third-party sustainability certification for their cocoa from either Utz or the Rainforest Alliance, and at these farms assessors did find some evidence of sustainability training and compliance monitoring.

with a local implementing partner, the Development Workshop based in Ankara. Designed to mitigate child labor risks in cotton farms, textile mills, and final assembly factories, the project will result in a joint action plan for companies to remediate findings of child labor, and will open communications channels between brands and actors at the beginning of their supply chains. The project is conducted in collaboration with the Business Social Compliance Initiative (BSCI), Hivos, the India Committee of the Netherlands, and UNICEF. Comprehensive project results will be presented in at a multi-stakeholder meeting in December 2016 in Istanbul.



## 2) Leather in India –

To better understand the underlying causes of child labor in the leather footwear sector and to devise remediation strategies, the civil society organization Stop Child Labour com-

missioned the FLA to conduct an independent assessment in Agra, in collaboration with a local implementing partner iMentor, based in New Delhi. The initial assessment, undertaken in 2015 in five Agra communities, confirmed the presence of child labor, a high dropout

For the farms outside of any certification program, however, FLA assessors found no evidence of any training on labor standards or any monitoring to ensure that working conditions meet Nestlé's standards. The assessment team reported further that in addition to the lack of any monitoring and remediation systems, they found labor-rights violations such as health and safety issues, lack of effective grievance procedures, presence of child labor, risk of forced labor, and other concerns.

Reviewing the results of this assessment represents an important first step for Nestlé to begin considering how to exercise oversight of its supply chain outside of its Nestlé Cocoa Plan. FLA staff found that while the assessed traitant does not currently maintain documentation on all its supplier farms, assessors were able to trace the supply chain through information

available from local pisteurs who maintain hand-written records on the farms where they collect cocoa beans for delivery to the traitant. The project team determined that if supply chain stakeholders could work together to combine the pisteurs' records with other available traceability information, then they could start working toward better oversight of the supply chain and more purposeful implementation of labor standards beyond the farms covered by the Nestlé Cocoa Plan.

The FLA recognizes the significance of Nestlé's efforts to extend its supply chain oversight and encourages follow-up actions to extend the reach of the company's Workplace Code of Conduct. The full standard supply chain report and Nestlé's response appear on the FLA website at [www.fairlabor.org/report/standard-supply](http://www.fairlabor.org/report/standard-supply), and additional ongoing FLA traceability projects are described below.

rate among local schoolchildren, and a lack of educational infrastructure. In 2016, the project will work to recruit footwear brands and suppliers to map their supply chains in Agra, and to test regionally specific remediation strategies for reducing child labor.



**3) Hazelnuts in Turkey** – Since 2011, the FLA has been assessing working conditions in hazelnut gardens in the Black Sea region of Turkey, first as a special project commis-

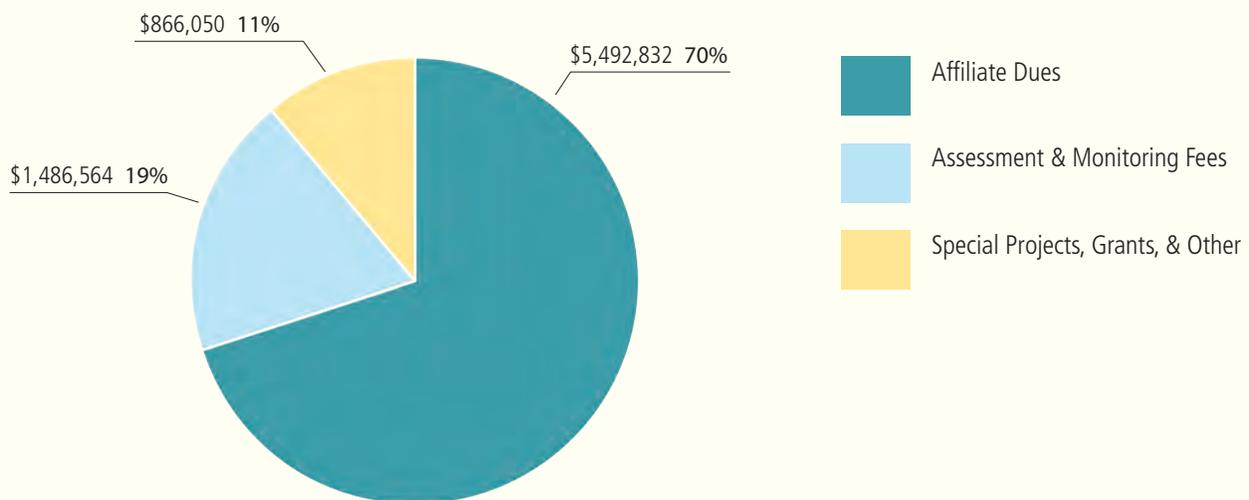
sioned by Nestlé, and later as a collaboration between the FLA, Nestlé, and two of its hazelnut suppliers, Balsu Gida and Olam Progida. At the end of 2015, the FLA and the three companies entered into a cooperative agreement with the US Department of Labor to pilot test the implementation of fair labor guidelines for agricultural imports drafted by the US Department of Agriculture. With the goal of specifically detecting and remediating risks of child or forced labor, the project will run for two harvest seasons, and will result in resource materials for other companies pursuing similar goals in other agricultural supply chains.

# FINANCIAL REVIEW

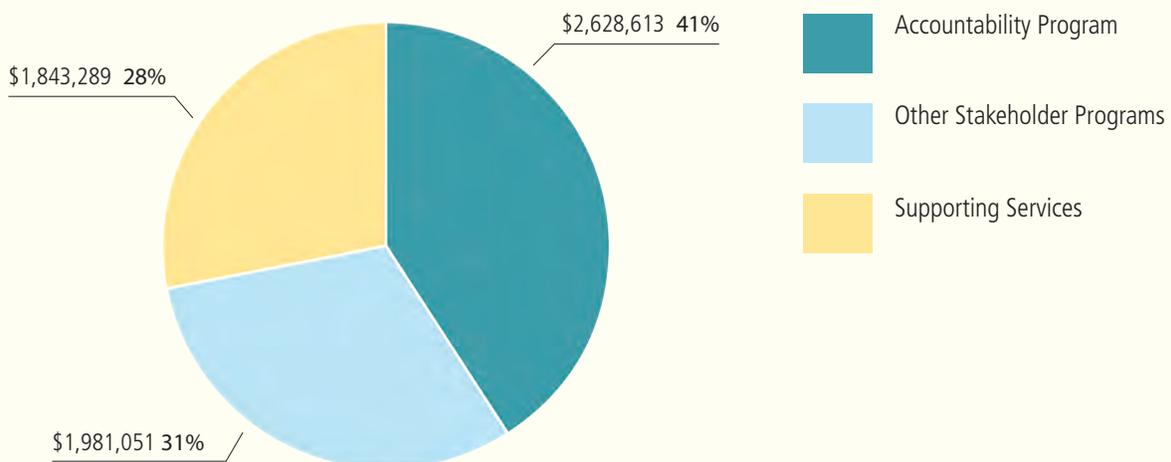
In 2015, the Fair Labor Association received \$7.8 million in revenues and disbursed \$6.5 million in expenses. The resulting difference in net assets was used to replenish \$1.4 million to the organization's escrow account.

Assessment fees fully fund the corresponding expenditures related to performing assessments. Affiliate dues, fees paid for special projects, and grant revenues provide additional funding for FLA programs and supporting services, including technology, office management, and human resources costs. At the end of 2015, the FLA learned that it had received \$4.87 million in funding from the US Department of Labor to conduct a 31-month project in the Turkey hazelnut supply chain. The majority of these funds will appear in FLA revenues for 2016 and 2017.

## 2015 REVENUES: \$7,845,446



## 2015 EXPENSES: \$6,452,953





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