

PRINCIPLES OF FAIR LABOR & RESPONSIBLE SOURCING

THE 10 PRINCIPLES

PRINCIPLE 1: Top Management Commitment & Workplace Standards

Company Affiliate is committed to accountability and transparency through established workplace standards.

PRINCIPLE 2: Responsible Purchasing Practices

Company Affiliate aligns planning and purchasing practices with commitment to workplace standards.

PRINCIPLE 3: Responsibility & Head Office Training

Company Affiliate identifies and trains specific staff responsible for implementing workplace standards and responsible purchasing practices, and provides training to all head office and regional staff.

PRINCIPLE 4: Supplier Training

Company Affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

PRINCIPLE 5: Monitoring

Company Affiliate conducts workplace standards compliance monitoring.

PRINCIPLE 6: Functioning Grievance Mechanisms

Company Affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

PRINCIPLE 7: Collection & Management of Compliance Information

Company Affiliate collects, manages and analyzes workplace standards compliance information.

PRINCIPLE 8: Timely & Preventative Remediation

Company Affiliate works with suppliers to remediate in a timely and preventative manner.

PRINCIPLE 9: Consultation with Civil Society

Company Affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.

PRINCIPLE 10: Verification Requirements

Company Affiliate meets FLA verification and program requirements.

Principles, Benchmarks, and Key Performance Indicators

Each Principle is executed by companies by upholding a number of benchmarks and key performance indicators (KPIs), included in the tables below.

PRINCIPLE 1: TOP MANAGEMENT COMMITMENT & WORKPLACE STANDARDS

Company Affiliate is committed to accountability and transparency through established workplace standards.

BENCHMARK 1.1: Company Affiliate leadership formally commits to uphold workplace standards, including engagement with civil society, and to integrate these commitments into company business practices.

- KPI a) Demonstrated internal commitment from the CEO/owner, as well as resource allocation from top management, to uphold and integrate workplace standards into business practices
- KPI b) Demonstrated public commitment and transparency from the company in implementing workplace standards and engagement with civil society
- KPI c) The upmost levels of the governance structure have clear roles and responsibilities for ensuring that the company is implementing and upholding workplace standards

BENCHMARK 1.2: Company Affiliate establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.

- KPI a) Affiliate has written workplace standards
- KPI b) Workplace standards meet the FLA Workplace Code of Conduct

PRINCIPLE 2: RESPONSIBLE PURCHASING PRACTICES

Company Affiliate aligns planning and purchasing practices with commitment to workplace standards.

BENCHMARK 2.1: Company Affiliate has formal written policies and procedures for planning and purchasing that

- 1) articulate the many complexities involved in their global supply chains, including different supplier business models, and
- 2) require relevant internal representatives to work with suppliers to reduce negative impacts on working conditions.

These policies and procedures shall address (a) alignment of financial terms with FLA Workplace Standards, (b) adequacy of lead time provided (considering, for example, availability of inputs, testing, design changes, and production capacity) to produce without excessive overtime, unauthorized subcontracting, or other negative impacts, and (c) balanced annual planning efforts to eliminate negative outcomes (i.e. lower efficiency, poor labor retention, and longer throughput) that arise from traditional seasonal order demand.

- KPI a) Policies and procedures that address:
- Elements 1 and 2
 - Financial terms,
 - Lead time, and
 - Balanced planning
 - Order reduction and facility exit
- KPI b) Frequency of review by senior management to assess impacts of planning and purchasing on compliance.

BENCHMARK 2.2: Company Affiliate holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning, purchasing, and order reduction practices that help avoid negative impacts on workers and working conditions.

- KPI a) Company has documented metrics and procedures in place to measure and assess the performance of systems, staff, and any agent/intermediary in implementing responsible purchasing, planning, and order reduction practices
- KPI b) Evidence of actions, outcomes, or solutions demonstrating multiple departments and agents/intermediaries are held accountable for jointly identifying and mitigating negative impacts on workers and working conditions

BENCHMARK 2.3: Company Affiliate staff responsible for planning and purchasing decisions engage with their labor compliance colleagues, any contracted agent/intermediary and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.

- KPI a) Documented process to facilitate dialogue among key departments, with any contracted agent/intermediary, as well as between supplier and buyer (each represented by staff from all key departments) to analyze and review impact.
- KPI b) Frequency of relevant cross-department dialogues
- KPI c) Evidence of buyer facilitation of feedback from suppliers, without retaliation, on purchasing practices
- KPI d) Evidence of continuous measured improvements through open dialogue with relevant staff, any agents/intermediary, suppliers, or facilities

BENCHMARK 2.4: Company Affiliate provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner and, if applicable, having internal systems aligned with FLA Principles.

- KPI a) Documented system to evaluate suppliers and/or facilities
- KPI b) Availability and communication to suppliers of positive incentives
- KPI c) Percentage of suppliers and/or facilities receiving incentives

PRINCIPLE 3: RESPONSIBILITY AND HEAD OFFICE/REGIONAL TRAINING

Company Affiliate identifies and trains specific staff responsible for implementing workplace standards and responsible purchasing practices, and provides training to all head office and regional staff.

BENCHMARK 3.1: Company Affiliate identifies the person(s) responsible for administering and implementing its workplace standards compliance program and responsible purchasing practices.

- KPI a) Organizational chart designating title, name and contact information of responsible individual(s)
- KPI b) Job description(s) or other equivalent to demonstrate relevant responsibilities for implementing workplace standards and responsible planning and purchasing practices

BENCHMARK 3.2: Company Affiliate trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.

- KPI a) Appropriate training or other professional development to qualify the staff person(s)
- KPI b) Training content includes:
 - Collective bargaining,
 - Union engagement,
 - Effective worker-management communication channels
- KPI c) Training feedback or behavioral changes that demonstrate participant knowledge gained

BENCHMARK 3.3: Company Affiliate ensures that training is provided to all head office and regional staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.

- KPI a) Percentage of head office and regional staff that received training
- KPI b) Training feedback or behavioral changes that demonstrate participant knowledge gained
- KPI c) Evidence of annual refresher training

BENCHMARK 3.4: All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance.

- KPI a) Percentage of relevant business staff, compliance staff and any agent/intermediary trained
- KPI b) Training feedback or behavioral changes that demonstrate participant knowledge gained
- KPI c) Frequency of refresher training
- KPI d) Systems for periodic evaluation of training

PRINCIPLE 4: SUPPLIER TRAINING

Company Affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

BENCHMARK 4.1: Company Affiliate formally conveys workplace standards to suppliers and receives written acknowledgment to uphold workplace standards, facilitate periodic assessments, including those organized by the FLA, and actively contribute to consequent remediation activities.

- KPI a) Percentage of facilities providing written commitment to uphold standards, remediate noncompliances, and agree to facilitate periodic assessments.

BENCHMARK 4.2: Company Affiliate conditions future business with suppliers upon continuous improvement of workplace conditions.

- KPI a) Policy on the use of workplace conditions information in factory evaluations
- KPI b) Demonstrated example of workplace conditions information used in factory evaluations
- KPI c) Demonstrated action taken for failure to improve

BENCHMARK 4.3: Company Affiliate ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.

- KPI a) Percentage of facilities in which the affiliate verified that workers, managers, and supervisors have access to written workplace standards in relevant languages

BENCHMARK 4.4: Company Affiliate ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover.

- KPI a) Percentage of facilities in which the affiliate verified performance and frequency of ongoing workplace standards training
- KPI b) Training feedback or behavioral changes that demonstrate participant knowledge gained

PRINCIPLE 5: MONITORING

Company Affiliate conducts workplace standards compliance monitoring.

BENCHMARK 5.1: Company Affiliate conducts pre-sourcing assessment of contract facilities to review compliance with workplace standards.

KPI a) Percentage of facilities added within the reporting period that were monitored for workplace standards prior to sourcing

KPI b) Documented process for pre-sourcing assessments

BENCHMARK 5.2: Company Affiliate monitors facilities regularly to assess compliance with workplace standards.

KPI a) Percentage of facilities monitored for workplace standards within the reporting period

KPI b) Evidence of a risk analysis approach in prioritizing assessments

KPI c) Workplace standards for facilities assessed by the company align with the FLA workplace standards

BENCHMARK 5.3: Company Affiliate ensures that its monitoring program includes, but is not limited to:

- a) Worker interviews,
- b) Consultation with unions or worker representative structures (where applicable),
- c) Collective bargaining terms review (where applicable),
- d) Management interviews,
- e) Documentation review,
- f) Visual inspection, and
- g) Occupational safety and health review.

KPI a) Monitoring documentation that includes all appropriate elements

KPI b) Verification by affiliate of terms and conditions related to workplace standards in contract facilities with collective bargaining agreements, where applicable

KPI c) Audit methodology evaluates the implementation of workplace standards training, grievance mechanisms, and remediation

BENCHMARK 5.4: Company affiliate monitors facilities to ensure implementation of responsible retrenchment policies and procedures that uphold workplace, legal, and collectively bargained standards.

KPI a) Percentage of facilities that were monitored to ensure compliance of workplace, legal, and collectively bargained retrenchment standards

KPI b) Company affiliate evaluates the implementation of responsible retrenchment policies and procedures

PRINCIPLE 6: FUNCTIONING GRIEVANCE MECHANISMS

Company Affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

BENCHMARK 6.1: Company Affiliate ensures there are functioning grievance mechanisms at facilities.

KPI a) Evidence of facility grievance mechanisms

KPI b) Evaluation of the effectiveness of facility grievance mechanisms

KPI c) Evaluative evidence that grievance mechanisms lack penalty

KPI d) Evaluative evidence of at least one confidential reporting channel

BENCHMARK 6.2: Where local mechanisms are not functioning, Company Affiliate provides alternative channels for workers to contact the brand directly and confidentially.

KPI a) Evidence that alternative grievance channels have been provided by the brand, if applicable, and documented system to follow-up on grievances submitted through such channels

BENCHMARK 6.3: Company Affiliate ensures training and communication is provided to all workers, supervisors, and managers about the grievance mechanisms.

KPI a) Percentage of facilities for which affiliate verified annual training on grievance mechanisms

KPI b) Training feedback or behavioral changes that demonstrate participant knowledge gained

PRINCIPLE 7: COLLECTION AND MANAGEMENT OF COMPLIANCE INFORMATION

Company Affiliate collects, manages and analyzes workplace standards compliance information.

BENCHMARK 7.1: Company Affiliate maintains a complete and accurate list of facilities and collects and manages compliance and workplace information.

KPI a) A complete and accurate list of facilities including:

- Address and contact information,
- Historic audit data,
- Possible root causes of noncompliance,
- Previous labor disputes,
- Incidents,
- Accidents, and
- Presence of unions or worker representative structures
- Existence of collective bargaining agreement (CBA)

BENCHMARK 7.2: Company Affiliate analyzes trends in noncompliance findings.

KPI a) Documentation of analysis of trends

KPI b) Documentation that identifies and tracks repeating forms of noncompliance as well as those that most negatively impact workers

KPI c) Evidence of data analysis informing improvements of company's social compliance program to mitigate negative impacts

PRINCIPLE 8: TIMELY AND PREVENTATIVE REMEDIATION

Company Affiliate works with suppliers to remediate in a timely and preventative manner.

BENCHMARK 8.1: Company Affiliate provides regular follow-up and oversight to implement corrective action following assessments.

KPI a) Documented process for following up on remediation

KPI b) Evidence of consultation with unions or worker representative structures on remediation, as appropriate

KPI c) Documented collaborative process of developing remediation plans

BENCHMARK 8.2: Company Affiliate works with the supplier to determine root causes and take action to reduce risk and prevent future noncompliance.

- KPI a) Documented collaborative process of root cause analysis
- KPI b) Evidence of actions taken to reduce risk and prevent future noncompliance

BENCHMARK 8.3: Company Affiliate records and tracks the progress and effectiveness of remediation for internal assessments.

- KPI a) Evidence that remediation progress is tracked to completion
- KPI b) Documented process to determine effectiveness of remediation plans

PRINCIPLE 9: CONSULTATION WITH CIVIL SOCIETY

Company Affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.

BENCHMARK 9.1: Company Affiliate develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of sourcing.

- KPI a) A strategic plan for local CSO outreach and engagement that takes into account high risk and production volume
- KPI b) Documented mapping of CSOs that considers criteria and relevancy

BENCHMARK 9.2: Company Affiliate develops and maintains links to relevant CSOs to gain understanding of local labor issues.

- KPI a) Evidence of efforts to engage with CSOs in all high risk and high volume countries
- KPI b) Percentage of sourcing countries where the affiliate has relationships with CSOs

BENCHMARK 9.3: Company Affiliate strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.

- KPI a) Demonstrated engagement with CSOs in the design and implementation of workplace standards compliance strategies including:
 - Trainings,
 - Worker communication channels, or
 - Facility-specific remediation plans

BENCHMARK 9.4: Company Affiliate consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.

- KPI a) A procedure for relevant staff/assessor use in gaining an understanding of union structures in all sourcing countries, specifically within its supplier base, and demonstration implementation
- KPI b) Evidence of consultation with all relevant parties regarding specific, existing relationships between supplier management and any legally constituted unions or worker representative structures

PRINCIPLE 10: VERIFICATION REQUIREMENTS

Company Affiliate meets FLA verification and program requirements.

BENCHMARK 10.1: Company Affiliate maintains standard operating procedures related to FLA affiliation.

KPI a) Standard operating procedures related to FLA affiliation

BENCHMARK 10.2: Company Affiliate participates in FLA due diligence activities, including assessments at facilities and company headquarters, as applicable.

KPI a) Participation in applicable FLA due diligence activities

KPI b) IEA corrective action plans submitted within the timeframe designated in the IEA Procedures

KPI c) IEA remediation updates provided to the FLA every 6 months

BENCHMARK 10.3: Company Affiliate completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.

KPI a) Timely completion of the annual self-assessment

BENCHMARK 10.4: Company Affiliate maintains a complete and accurate profile and list of facilities with the FLA and publicly.

KPI a) Profile updated within the past year

KPI b) Facility list is up-to-date at the beginning of the selection process of each IEA cycle

KPI c) Company updates its public factory list annually

BENCHMARK 10.5: Company Affiliate responds to FLA requests for documentation, contracts, information and clarification in a timely manner.

KPI a) Frequency that company appeared on a FLA staff report for failure to meet Principles

KPI b) Company representative contribution to the FLA by attending and/or hosting an FLA Board meeting or participating actively on a Working Group or Committee within the past year

BENCHMARK 10.6: Company Affiliate pays annual dues and applicable fees on schedule.

KPI a) Company pays dues and fees in full and on a timely basis