

As Amended, October 28, 2009

**CHARTER DOCUMENT**  
**FAIR LABOR ASSOCIATION**

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## **PREAMBLE**

WHEREAS, the members of the Apparel Industry Partnership announced the adoption of the attached “Workplace Code of Conduct” and “Principles of Monitoring” to the President of the United States and to the public on April 14, 1997;

WHEREAS, in order to achieve its objective to establish a means to provide the public with confidence of the implementation of the Workplace Code and the Monitoring Principles, the members of the Apparel Industry Partnership then adopted this Charter (as subsequently amended from time to time) for the formation and governance of the Fair Labor Association;

WHEREAS, since the formal establishment of the Association in 1999, the Association’s focus has expanded beyond the apparel and footwear industries to include a variety of products made by College or University Licensees and other companies affiliated with the Association; and

WHEREAS, the Mission of the Association is to combine the efforts of industry, civil society organizations, and colleges and universities to protect workers’ rights and improve working conditions worldwide by promoting adherence to international labor standards.

NOW, THEREFORE, the Association shall have, inter alia, the following purposes:

- To accredit Independent External Monitors and ensure high professional standards in the conduct of independent external monitoring;
- To independently verify, evaluate and publicly account for the internal compliance programs of each Participating Company so as to serve as a source of information to consumers;
- To determine whether the Applicable Products of each Participating Company are produced in Compliance with the Fair Labor Association Standards;
- To conduct programs that allow all licensees of College or University Affiliates to become Participating Companies or to enroll in other categories explicitly created for College or University Licensees;
- To work with agents and suppliers to facilitate programs that lead to greater and sustainable commitment and capacity of individual factories to respect labor rights and improve conditions of work;
- To increase consumer awareness about issues related to working conditions and workers’ rights and encourage consumers to purchase goods produced under socially responsible conditions;

- To continue to address questions critical to the elimination of unfair labor practices; and
- To serve as a source of information to the public about the Workplace Code and the Monitoring Principles.

## I. DEFINITIONS

The following capitalized terms shall have the following meanings when used in this Charter:

“Alleged Noncompliance” shall mean any significant and/or persistent pattern of noncompliance, or any individual incident of serious noncompliance, with the Workplace Code or Monitoring Principles, alleged by a Third Party.

“Applicable Facilities” shall mean the Facilities of a Participating Company other than its De Minimis Facilities, producing its Applicable Products.

“Applicable Products” shall mean all Products and/or Brands of a Participating Company for which the Participating Company is seeking a finding by the Association that such Products and/or Brands are produced in Compliance with the Fair Labor Association Standards.

“Applicant” shall mean a Company, Retailer or Supplier which has applied to become a Participating Company.

“Association” or “FLA” shall mean the Fair Labor Association.

“Association Public Report” shall mean the public report evaluating a Participating Company’s Compliance with the Fair Labor Association Standards in the production of Applicable Products, as more fully described in Section VII of the Charter.

“Board” or “Board of Directors” shall mean the Board of Directors of the Association.

“Board Member” shall mean a member of the Board, including the Chair.

“Brand” shall mean a trademark or logo affixed to a product that is either owned or controlled by a Participating Company or which the Participating Company has the right to use under license.

“Business Day” shall mean any day which is not a Saturday, Sunday or a Federal holiday in the United States.

“Category B Licensee” shall mean a College or University Licensee with total annual consolidated revenues in excess of Fifty Million Dollars (\$50,000,000) which is not a Participating Company, but which submits a Monitoring Plan to the Association covering all Products made under license for FLA College or University Affiliates and whose participation in the Association has been approved by the Board.

“Category C Licensee” shall mean a College or University Licensee with total annual consolidated revenues less than Fifty Million Dollars (\$50,000,000) but in excess of Five Million Dollars (\$5,000,000) that is not a Participating Company or a Category B or D Licensee and whose participation in the Association has been approved by the Board, according to requirements established by the Board.

“Category D Licensee” shall mean a College or University Licensee with total annual consolidated revenues less than Five Million Dollars (\$5,000,000) that meets such other criteria established for this category by the Board.

“Chair” shall mean the individual selected by the Board to serve as Chair of the Board.

“Charter” shall mean this Charter of the Association.

“College or University Affiliate” shall mean a member of the University Advisory Council in good standing as defined by the University Advisory Council.

“College or University Licensee” shall mean a manufacturer or supplier of Products which bear the name, logo or trademark of a College or University Affiliate pursuant to a licensing agreement between the licensee and the College or University Affiliate or between the licensee and another party authorized by the College or University Affiliate to act as the College or University Affiliate’s licensing agent.

“Company” shall mean a company which participates in the Association which is not a Retailer or Supplier.

“Complaint” shall mean a complaint which sets forth a claim of Alleged Noncompliance that is submitted by a Third Party to the Association.

“Compliance with the Fair Labor Association Standards” shall mean, with respect to a Participating Company: (i) effective implementation of an internal compliance program and independent external monitoring consistent with the Monitoring Principles; (ii) timely remediation of noncompliance with the Workplace Code or Monitoring Principles found by internal monitors or Independent External Monitors; and (iii) in situations where monitors have found a significant and/or persistent pattern of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles, the taking of adequate steps to prevent recurrence in other Applicable Facilities where such type of noncompliance may occur.

“De Minimis Facilities” shall mean Facilities (i) with which the Participating Company contracts for production for six months or less in any twenty-four (24) month period or (ii) in which the Participating Company accounts for ten percent (10%) or less of the annual production of such Facility. In no event shall De Minimis Facilities constitute more than fifteen percent (15%) of the total of all Facilities of a Participating Company, and the list of Facilities designated as De Minimis by the Participating Company is subject to the approval of the Association.

“Executive Director” shall mean the Executive Director of the Association.

“Facilities” shall mean the retail, production or manufacturing facilities of a Participating Company and its majority-owned subsidiaries and of such Participating Company’s or its majority-owned subsidiaries’ licensees, contractors (where the Participating Company is a manufacturer, including a retailer acting as a manufacturer) and suppliers (where the Participating Company is a retailer, including a manufacturer acting as a retailer), where such Facilities are involved in the production or manufacturing of Applicable Products.

“Independent External Monitor” shall mean a monitor which has been accredited by the Association pursuant to Section VIII of the Charter.

“Industry Caucus” shall mean the group of all Participating Companies.

“Initial Implementation Period” shall mean the implementation period during which a Participating Company is seeking an initial finding that its Applicable Products are produced in Compliance with the Fair Labor Association Standards. This period shall be for a term of two or three years, at the discretion of the Participating Company.

“Labor/NGO” shall mean consumer, human rights, labor rights, labor union, religious and other public interest organizations (including student groups), related to fair labor standards which affiliate with the Association.

“Monitoring Plan” shall mean the monitoring plan submitted to the Association by each Applicant that describes with specificity the Applicant’s proposed internal compliance program, including the implementation of internal monitoring and remediation processes.

“Monitoring Principles” shall mean the Principles of Monitoring attached to this Charter.

“Participating Company” shall mean a Company, Retailer or Supplier that has agreed to submit all its Applicable Products to the Association’s program and whose participation in the Association has been approved by the Board.

“President” shall mean the individual selected by the Board to serve as President of the Association.

“Product” shall mean any item which is produced, manufactured, supplied or sold to the public by a Participating Company.

“Retailer” shall mean a company which is primarily engaged in the business of directly selling Products to the public.

“Senior Officers of the Association” shall mean the President and Executive Director of the Association together with any person(s) having the title Chief Executive Officer, Chief Operating Officer, Chief Information Officer, Chief Financial Officer or Chief Communications Officer of the Association.

“Simple Majority Vote” shall mean a vote requiring the approval of at least one more than one-half (1/2) of all of the Board Members, with the Chair voting on the matter. In



the event of a tie vote, with all Board Members voting, the vote of the Chair shall be determinative.

“Supermajority Vote” shall mean a vote requiring the approval of at least two-thirds (2/3) of all of the industry Board Members and at least two-thirds (2/3) of all of the Labor/NGO Board Members and at least two-thirds (2/3) of the university Board Members, with the Chair having no vote on the matter.

“Supplier” shall mean any supplier or contractor with one or more Facilities, which is engaged in a manufacturing process, including cutting, sewing, assembling and packaging.

“Third Party” shall mean any person or organization that has initiated a Complaint with respect to a Facility, other than an Independent External Monitor who has rendered a service for such Facility in the six months prior to the Complaint.

“University Advisory Council” shall mean the advisory council to the Association consisting of colleges, universities, other institutions of higher learning and other entities involved in collegiate licensing. The University Advisory Council is governed by a set of bylaws adopted by the affirmative vote of a majority of the College or University Affiliates present at the first meeting of the University Advisory Council and which are subject to amendment by the affirmative vote of a majority of College or University Affiliates present at any subsequent meeting of the University Advisory Council.

“University Liaison” shall mean a member or members of the staff of the Association who serve as a liaison between the Association and the College or University Affiliates.

“Workplace Code” shall mean the Workplace Code of Conduct attached to this Charter.

## **II. GOVERNANCE OF THE ASSOCIATION**

### **A. Structure**

The Association is constituted as a nonprofit association under the laws of the District of Columbia. The Association has obtained Section 501(c)(3) status as a tax-exempt organization.

### **B. Board of Directors of the Association**

The Board of Directors of the Association shall consist of six industry representatives, six Labor/NGO representatives, six university representatives and a Chair. The industry Board Members shall be selected by the Industry Caucus. The Labor/NGO Board Members shall be selected by a majority of the then-serving Labor/NGO Board Members. The College or University Affiliate Board Members shall be chosen by the University Advisory Council. The Chair shall be selected in accordance with the procedure specified below.

Each Board Member shall be committed to the Mission of the Association in promoting adherence to international labor standards and improving working conditions worldwide. Persons employed or retained by, or agents of, Independent External Monitors or entities whose applications for accreditation are pending shall not be eligible to serve as Board Members. Officers, directors and employees of Participating Companies, College or University Affiliates and Labor/NGO entities may serve as Board Members. No more than one Board Member may be from any individual Participating Company, College or University Affiliate or Labor/NGO entity. The Board shall adopt appropriate screening and recusal policies in order to address any potential conflict of interest issues.

Each Board Member shall serve a term of no longer than three years, although terms are renewable. The Board shall be staggered so that each year the terms of at least two industry Board Members, at least two Labor/NGO Board Members, and at least two university Board Members shall expire. The terms of the industry and Labor/NGO Board Members shall expire at the end of December, and the terms of the university Board Members shall expire at the end of May. Any Board Member whose term is expiring shall continue to serve until his/her successor has been named. The Chair shall serve for a three-year term, and may serve such additional terms as determined through the normal Chair selection process set forth below.

C. Selection Process and Qualifications for Chair

A Nominating Committee made up of two industry Board Members, two Labor/NGO Board Members and two university Board Members shall be appointed by the Board. The Nominating Committee shall actively identify and assess the potential interest of qualified candidates and present one or more candidates to the Board for consideration. The Chair shall be selected by a Supermajority vote of the Board.

In selecting the Chair, Board Members shall seek individuals with the following qualifications:

1. A commitment to the Mission of the Association in promoting adherence to international labor standards and improving working conditions worldwide;
2. Knowledge of business operations, including, but not limited to, labor issues affecting companies, and
3. Independence.

Factors to be considered in determining independence include whether a person or his or her spouse or immediate family holds any position with or is rendering paid services to, or has held any position with, or rendered any paid services to, any of the following: (i) an Independent External Monitor, (ii) a company which does a significant amount of business in the apparel, footwear or any other industry in which the Association has significant involvement or , (iii) a Participating Company, (iv) a College or University Licensee, or (v) a Labor/NGO entity.

4. The Chair must be willing to divest of any directly held (i.e., not held through a mutual fund or in a blind trust) equity securities or any other financial interest in any Independent External Monitor, any Participating Company and any College or University Licensee. Any nominee must also disclose all such holdings as well as any contributions made at any time during the past three years to any Labor/NGO entity or College or University Affiliate.

D. Issues for Board Consideration

The Board shall have responsibility for approving the following matters by the affirmative vote indicated below for each specific matter:

1. The amendment of the Charter, the Workplace Code or the Monitoring Principles: Supermajority Vote;
2. The amendment of the Bylaws or Articles of Incorporation of the Association: Supermajority Vote;
3. The appointment or removal of the President or the Executive Director: Supermajority Vote;
4. The appointment or removal of Senior Officers of the Association other than the President and the Executive Director: Simple Majority Vote;
5. The adoption of the annual operating plan and budget for the Association, including the identification of funding sources and the setting of annual dues and assessments for Participating Companies, College or University Licensees and College or University Affiliates: Simple Majority Vote;
6. Any amendment to the Association's accreditation criteria for Independent External Monitors: Supermajority Vote;
7. Any amendment to the Association's baseline monitoring procedures: Supermajority Vote;
8. Any amendment to the range of percentages of Applicable Facilities of Participating Companies required for inspection by Independent External Monitors on a prospective basis, based on data derived from inspections conducted by Independent External Monitors during the Initial Implementation Period: Supermajority Vote;
9. The decision whether to accredit a particular Independent External Monitor for a two-year period: Simple Majority Vote;
10. The decision whether to renew the accreditation of a particular Independent External Monitor for an additional two-year period: Simple Majority Vote;

11. The decision whether to suspend the accreditation of an Independent External Monitor for a period determined by the Board: Simple Majority Vote;
12. The decision whether a particular Company, Retailer, Supplier or College or University Licensee is eligible to participate in the Association: Simple Majority Vote;
13. The decision whether initially to approve a finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards, based on reports of Independent External Monitors, and the approval of the initial Association Public Report regarding such Participating Company: Simple Majority Vote;
14. The decision whether, every three years after an initial finding, to approve a new finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards, based on reports of Independent External Monitors, and the approval of the Association Public Report regarding such Participating Company: Simple Majority Vote;
15. The decision whether to suspend the finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards and place the status of such Participating Company or a Category B Licensee on a ninety (90) day special review, or to extend such special review period: Simple Majority Vote;
16. In the event that the status of a Participating Company or Category B Licensee is placed on special review, the decision whether such Participating Company or Category B Licensee shall have its participation in the Association terminated following the special review period: Supermajority Vote;
17. Any amendment of the “Third Party Complaint Procedure” set forth in Section XI of the Charter by which Complaints are addressed by the Association: Simple Majority Vote;
18. The adoption and any amendment of a procedure to address complaints concerning the conduct of independent external monitoring by specific Independent External Monitors: Simple Majority Vote; and
19. Other appropriate issues critical to the elimination of unfair labor practices, including any amendment of the “Special Country Guidelines” set forth in Section X of the Charter and any adoption of additional country guidelines: Supermajority Vote.

E. Executive Staff of the Association

The Association shall employ a full-time professional staff, including a President and/or an Executive Director. Responsibilities of the staff shall include:

1. Promoting public education about conditions of work, the implementation of the Workplace Code and the Monitoring Principles;
2. Reviewing applications of Independent External Monitors for accreditation, and for renewal of accreditation, based on the accreditation criteria set forth in Section VIII of the Charter; conducting monitor training in FLA procedures and methodology; and recommending Independent External Monitors to receive accreditation to the Board of Directors;
3. Reviewing applications of Companies, Retailers, Suppliers and College or University Licensees to participate in the Association, based on the participation criteria set forth in Sections III, IV, V and VI of the Charter, and recommending the eligibility of such Applicants to the Board of Directors;
4. Conducting programs that allow all licensees of College or University Affiliates to become Participating Companies or to enroll in other categories explicitly created for College or University Licensees;
5. Providing an objective assessment of the efficacy and progress of the compliance programs of Participating Companies and College or University Licensees so as to serve as a source of information to consumers;
6. Making recommendations to the Board concerning questions critical to the elimination of unfair labor practices;
7. Conducting oversight of Independent External Monitors, and addressing complaints concerning monitoring activities of Independent External Monitors; and
8. Addressing Complaints, pursuant to the “Third Party Complaint Procedure” set forth in Section XI of the Charter.

A designated individual or individuals on the staff of the Association shall serve as the University Liaison. The University Liaison shall have full access to all information concerning College or University Licensees to which the President and the Executive Director have access, provided that the University Liaison maintains the confidentiality of such information. The University Liaison may provide to each College or University Affiliate such information concerning its College or University Licensee as the College or University Affiliate and the College or University Licensee have mutually agreed shall be provided by the University Liaison and in accordance with Sections IV.C.6. and IX.A.

of the Charter. The University Liaison shall be designated by the Board of Directors only with the approval of at least two-thirds (2/3) of the university Board Members. The performance of the University Liaison shall be reviewed annually by the Executive Director and the university Board Members. The University Liaison shall not be removed from office without the consent of two-thirds (2/3) of the university Board Members.

### **III. PARTICIPATION CRITERIA FOR COMPANIES, RETAILERS AND SUPPLIERS**

A Company, Retailer or Supplier that desires to participate in the Association shall submit to the Association an application consisting of a Monitoring Plan that describes such Applicant's internal compliance program, including the implementation of internal monitoring, independent external monitoring, and a system of remediation (as described in more detail in Section IX of the Charter) and an agreement by the Applicant to undertake in good faith the following:

- A. To adopt, and cause its applicable licensees, contractors and suppliers to adopt, the Workplace Code in the manufacture of its products;
- B. To formally convey the Workplace Code (in the applicable local language) to its factories, and applicable licensees, contractors and suppliers, and communicate the Applicant's commitment to comply with the Workplace Code to senior officers, managers and employees of both the Company, Retailer or Supplier (as the case may be) and its applicable licensees, contractors and suppliers;
- C. To implement a system of internal monitoring that complies with the Monitoring Principles;
- D. To submit its Applicable Facilities to unannounced monitoring visits conducted by Independent External Monitors assigned by the FLA staff (as described in Section IX.C. of the Charter);
- E. To pay annual assessments to the Association. Assessments shall be determined by the Board of Directors of the Association based on a formula related to the annual revenues of each Participating Company; and
- F. To provide a report to the Association every twelve months, in a format approved by the Board, describing the activities of the Participating Company over the prior twelve month period to implement its obligations as a Participating Company. The staff of the Association shall review the Participating Company's report, the reports prepared by Independent External Monitors with respect to the Participating Company's inspected Applicable Facilities, the status and results of investigations of any Third Party Complaints involving the Participating Company or its Applicable Facilities, and any other relevant information in order to provide feedback to the Participating Company on its progress in implementing its

compliance program.

The staff of the Association shall recommend to the Board of Directors whether such Applicant is eligible to participate in the Association based on the Applicant's satisfaction of the foregoing. With respect to the Applicant's Monitoring Plan, the staff of the Association shall review each plan to determine whether it (i) complies with the Monitoring Principles and the requirements for Monitoring Plans set forth in Section IX of the Charter, (ii) assigns specific responsibilities for implementing the commitments contained therein to appropriate officers, (iii) establishes a system of accountability, and (iv) sets forth an operational structure for implementing the plan.

If the Board of Directors approves the participation of such Applicant in the Association, the Applicant shall thereafter be referred to as a "Participating Company".

#### **IV. AFFILIATION CRITERIA FOR COLLEGES AND UNIVERSITIES**

A college, university or other institution of higher learning, or other entity involved in collegiate licensing, that desires to become affiliated with the Association as a College or University Affiliate shall:

- A. Participate in the University Advisory Council;
- B. Pay annual dues to the Association; and
- C. If the College or University Affiliate has a licensing program, it shall require each of its College or University Licensees to become either a Participating Company or be accepted by the Association in an appropriate College or University Licensee category and to meet the requirements associated with such applicable category. In accordance therewith, such College or University Affiliate shall:
  1. Cause each of its College or University Licensees with total annual consolidated revenues of Fifty Million Dollars (\$50,000,000) or greater either to (i) become a Participating Company in the Association and include among its Applicable Products all of the products it makes under license from the College or University Affiliate or (ii) become a Category B Licensee, in which case it shall submit to the Association a Monitoring Plan covering all of the Facilities that produce or manufacture products under license from the College or University Affiliate. With respect to all products made under license from such College or University Affiliate, each Category B Licensee shall be required to undertake in good faith the same obligations of Participating Companies and such additional obligations as may be agreed to between such College or University Licensee and its College or University Affiliate, provided, however, that a Category B Licensee with only one Facility shall undergo an inspection by an Independent External Monitor once every three (3) years;
  2. Submit to the Association a certified list of all College or University

Licensees, with sufficient information for the Association to determine the type and volume of products made under license from the College or University Affiliate by each such College or University Licensee and such other information concerning the College or University Affiliate's relationship with such College or University Licensee as determined necessary by the staff of the Association;

3. Cause each of its Category C Licensees to meet the criteria for participation established by the Board of Directors of the Association and pay fees as established by the Board of Directors of the Association;
4. Cause each of its Category D Licensees to meet the requirements established for such Licensees by the Board of Directors of the Association;
5. Unless a College or University Licensee is a Participating Company, it may not publicize or advertise that it is a Participating Company but may only state that it is enrolled in the FLA Licensee category in which it is, in fact, enrolled; and
6. In cases where a College or University Affiliate has a policy that requires each of its College or University Licensees to share monitoring reports and a College or University Licensee has agreed by contract with its College or University Affiliate to do so, the University Liaison may provide copies of the monitoring reports to such College or University Affiliate if both the College or University Affiliate and its College or University Licensee request that the University Liaison do so.

## **V. ADDITIONAL REQUIREMENTS FOR SUPPLIERS**

Any Supplier which is a Participating Company, shall undertake the following in addition to, or in lieu of its obligations as a Participating Company:

- A. Provide to each Participating Company which purchases goods from any of its Facilities a copy of its Monitoring Plan, all updates to its Monitoring Plan and all reports from headquarter reviews performed by the Association.
- B. Facilities of Suppliers will not be subject to internal monitoring or inspections by Independent External Monitors during the first year of the implementation of its Monitoring Plan.
- C. Following the first year of implementation of its Monitoring Plan, a Supplier shall provide reports and remediation plans from its internal monitoring to any Participating Company which purchases goods from its Facilities upon request. Participating Companies which purchase goods from such Facilities shall have no obligation to perform internal monitoring at such Supplier's Facilities.



## **VI. ADDITIONAL REQUIREMENTS FOR RETAILERS**

Any Retailer which is a Participating Company, shall undertake the following in addition to, or in lieu of its obligations as a Participating Company:

- A. All vendors of a Retailer shall be treated as if they are licensees of the Retailer in the same manner as College or University Licensees, and the obligations of a Retailer as a Participating Company shall be applied thereto in the same manner as applied to Colleges and Universities with respect to College or University Licensees.
- B. In connection with its Monitoring Plan, a Retailer and the Association shall determine which Products and Product Lines shall initially be subject to internal monitoring and Independent External Monitoring, and the time period during which other Products and Product Lines shall be included.

## **VII. COMMUNICATIONS TO THE PUBLIC**

In the event that the Board of Directors approves the participation of a particular Company, Retailer or Supplier as a Participating Company, then such Participating Company, as well as the Association, may communicate to the public that such entity is participating in the Association, and such entity and the Association may disclose the Applicable Products for which the Participating Company is seeking a finding that such Applicable Products are produced in Compliance with the Fair Labor Association Standards.

A Participating Company cannot make any public announcement or other communication to the public that all or some of its Products are produced in Compliance with the Fair Labor Association Standards and shall not have the right to use the service mark of the Association (if any) for any purpose unless: (a) such Products have been determined by the Association to be produced in Compliance with the Fair Labor Association Standards; and (b) the Participating Company continues to satisfy the criteria set forth above for participation in the Association. If these conditions have been met, then the Participating Company shall be entitled to communicate to the public that the Association has found that such Products have been produced in Compliance with the Fair Labor Association Standards and shall be entitled to use the service mark of the Association (if any) in product labeling, advertising and other communications to consumers and shareholders.

Neither the Board of Directors nor any member of the Association's staff shall disclose to the public any information relating to any Participating Company or College or University Licensee which is confidential or proprietary, including any detailed information or assessment regarding (i) the overall status of such Participating Company or College or University Licensee in the Association or (ii) the status of a particular unresolved Complaint relating to a Participating Company or College or University Licensee, except as expressly allowed in this Charter. However, the status of such Participating Company in the Association, as well as the identification of the Applicable Products for which it is seeking a finding by the Association that the Applicable Products

of a Participating Company are produced in Compliance with the Fair Labor Association Standards and whether such a finding has been approved shall be publicized by the Association and the Association shall issue public reports with respect to each Participating Company as provided in Section IX E. of the Charter. The Board of Directors shall establish further guidelines for responding publicly to inquiries regarding Complaints. Such guidelines shall preserve the integrity of the process by which the Association investigates Complaints, facilitate the ability of Companies, Retailers and Suppliers to remedy problems in their Facilities, and provide the public with assurance of the independence and integrity of the Association.

The Association shall issue an annual report each year, the content and format of which shall be determined by the Board of Directors.

### **VIII. ACCREDITATION CRITERIA FOR INDEPENDENT EXTERNAL MONITORS**

#### **A. Independence**

1. A prospective Independent External Monitor shall not be eligible to conduct independent external monitoring of the Facilities of a Participating Company or College or University Licensee unless such monitor is independent from such Participating Company or College or University Licensee as well as its applicable licensees, contractors and suppliers to the following extent:
  - (a) Neither the Independent External Monitor nor any of its employees personally involved in the monitoring of a Participating Company or College or University Licensee shall have any business or financial relationship with, including holding any equity or debt securities of, the Participating Company or College or University Licensee, or any of its applicable licensees, contractors or suppliers that would conflict with or compromise its ability to conduct monitoring in a neutral, impartial manner; and
  - (b) The Independent External Monitor shall not provide other services to the Participating Company or College or University Licensee, or shall not have provided other services to the Participating Company or College or University Licensee in the twenty-four (24) month period prior to its consideration to be an Independent External Monitor, if the value of all such other services exceeds One Hundred Thousand Dollars (\$100,000) or if the value of all such services has or shall account for twenty-five percent (25%) or more of the Independent External Monitor's annual revenue. Other services may include, among other things, monitoring, remediation, training, or product and quality testing. The Executive Director, however, may waive the application of this provision on a case-by-case basis upon a good faith showing that

the Independent External Monitor has established effective mechanisms to eliminate any significant risk to the independence of its monitoring. The Independent External Monitor shall continue to maintain any mechanisms implemented by it to protect the independence of its monitoring.

If accredited by the Association, the Independent External Monitor must pledge to continue to comply with the foregoing independence criteria throughout the period of its accreditation.

2. An Independent External Monitor shall be selected by the FLA staff to conduct independent external monitoring of a particular Facility of a Participating Company or a College or University Licensee.
3. An Independent External Monitor shall not conduct independent external monitoring of any Facility where the monitor has, in the last twelve (12) months, rendered any labor compliance service for such Facility.
4. An Independent External Monitor shall pledge to conduct its monitoring in a neutral, impartial manner and shall pledge that the content of its monitoring report shall be accurate and not misleading.
5. An Independent External Monitor shall have the obligation to report to the Association any breach of any mechanism established by such Independent External Monitor to protect the independence of its monitoring and any steps taken by such Independent External Monitor to remedy such breach.
6. An Independent External Monitor shall exercise professional judgment at all times and not allow any fees or business relationships to influence its findings or reporting.

B. Qualifying Characteristics of Independent External Monitors

In order to qualify as an Independent External Monitor of the Association, a prospective monitor (which may be one or more individuals or a separate legal entity) shall demonstrate the following core competencies for each country for which it seeks accreditation:

1. Background Knowledge
  - (a) Working knowledge of the standards to be applied in the conduct of monitoring, (e.g., the Workplace Code, and Compliance Benchmarks adopted by the Association from time to time, applicable laws and regulations in the country where monitoring shall take place, and applicable international labor standards).
  - (b) Knowledge of prevailing industry practices and local workplace

conditions.

- (c) Knowledge of local social and cultural conditions to be applied in the conduct of monitoring, such as culturally appropriate interview methods.
- (d) Linguistic skills appropriate to each country or region to be monitored, as needed for each aspect of the Workplace Code to be monitored.

2. Monitoring Workplace Conditions

- (a) Demonstrated ability to conduct independent external monitoring, including the professional competence, capacity and relevant skills or technical qualifications necessary to perform each of the following processes to assess compliance with the Workplace Code:
  - Gathering information from local knowledgeable sources
  - Interviewing Facility workers
  - Interviewing Facility management
  - Visual inspection of the Facility
  - Review of personnel, payroll and timekeeping records
- (b) Ability to maintain the confidentiality of information and confidence of those interviewed.
- (c) Ability to synthesize, cross check, and verify information gathered in the monitoring process from all relevant sources.

3. Analysis and Reporting

- (a) Ability and commitment to conduct an impartial and objective evaluation of the information gathered to assess compliance with the Workplace Code.
- (b) Professional competence in reporting instances or situations of Workplace Code noncompliance to the Participating Company or College or University Licensee and to the Association, including methods for substantiation of findings.
- (c) Capacity to report findings in a timely fashion using the reporting document prescribed by the Association.
- (d) Ability and commitment to maintain accountability for information gathered from the monitoring process.

C. Application Requirements for Prospective Independent External Monitors

A prospective Independent External Monitor may seek accreditation to conduct monitoring in one or more countries, and for one or more areas of the Workplace Code.

In seeking accreditation, a prospective Independent External Monitor shall:

- (i) submit to the Association an application demonstrating satisfaction of the foregoing criteria of independence and qualifying characteristics;
- (ii) agree to undergo training in FLA standards and methodology as deemed appropriate by the Executive Director;
- (iii) conduct a trial audit with an observer appointed by the Executive Director; and
- (iv) agree to undergo any other application requirements as specified by the Executive Director or Board of Directors.

Prospective monitors shall also demonstrate the capacity to ensure the ongoing quality, integrity and independence of their monitoring work, including internal controls and professional staff development. Once accredited, an Independent External Monitor must submit to the Association a binding statement of intent to disclose any material change that may affect its ability to meet the independence criteria or qualifications of Independent External Monitors listed above.

D. Accountability of Independent External Monitors

An Independent External Monitor shall be accountable to the Association for professional misconduct or gross negligence in the conduct of its monitoring or the preparation or content of its monitoring reports. If a complaint concerning the professional misconduct or negligence of an Independent External Monitor is submitted to the Association, the Executive Director shall assess the reliability and severity of the complaint and inform the monitor of the contents of such complaint. In the event that the Executive Director determines that an Independent External Monitor has committed such alleged misconduct or negligence, the Executive Director shall recommend to the Board the appropriate sanction. The Board shall have the authority to restrict, suspend, and/or remove all or part of the accreditation of such Independent External Monitor.

Independent External Monitors shall be accredited for a two-year period, which accreditation can be renewed for successive two-year periods thereafter. In applying for reaccreditation with the Association, the Independent External Monitor shall:

- (i) disclose to the Association any material change to its original application that may affect its independence or qualifications under the criteria set forth above;
- (ii) pass an evaluation at head office and at field level as deemed appropriate by the Executive Director; and

- (iii) agree to an annual audit by FLA staff of the Independent External Monitor's internal records that pertain to its monitoring performed under the auspices of the Association.

E. Nondisclosure by Independent External Monitors

The Association shall have the right to enter into a confidentiality or nondisclosure agreement with an Independent External Monitor with respect to nondisclosure to any party other than the Association or the applicable Participating Company or College or University Licensee of information deemed by the Association or such Participating Company or College or University Licensee to be proprietary or confidential; provided, however, that any such confidentiality or nondisclosure agreement shall expressly permit the Independent External Monitor to disclose (i) to the Association, all information concerning the Participating Company or College or University Licensee, its Applicable Products and its Facilities as expressly required to be disclosed in this Charter and (ii) to the Executive Director, all other information which the Executive Director reasonably may require in order to carry out the purposes of the Association.

The Association also reserves the right to make the findings of the Independent External Monitor publicly available, and disclose the name of the monitor responsible for conducting the independent external monitoring visit.

## **IX. THE MONITORING PROCESS**

A. Monitoring Plan

Each Applicant shall submit to the Association for review and approval a Monitoring Plan that describes with specificity the Applicant's proposed internal compliance program. The Monitoring Plan must describe the strategy and process by which the Applicant shall implement its compliance program in accordance with the Monitoring Principles and whether the Applicant determines to opt for an Initial Implementation Period of two or three years, which period shall commence when an Applicant is approved by the Board to participate in the Association. The Applicant shall identify in its Monitoring Plan those Facilities which the Applicant considers to be De Minimis Facilities, citing the reason for such designation.

The Monitoring Plan of each Applicant also shall describe which Products or Brands of the Applicant shall be deemed to be Applicable Products for which the Applicant shall seek a finding that such Products are produced in Compliance with the Fair Labor Association Standards. Unless other criteria for defining an Applicant's Applicable Products are proposed by the Applicant in its Monitoring Plan and approved by a supermajority vote of the Board before the Initial Implementation Period, the Applicant shall, at a minimum, designate the following as Applicable Products:

- a. The Product or Brand that accounts for the greatest percentage of the Applicant's annual consolidated revenues;

- b. Any individual Product or Brand that accounts for more than thirty percent (30%) of the Applicant's annual consolidated revenues<sup>1</sup>; and
- c. Any Product or Brand which bears the Applicant's name<sup>2</sup>;

provided, however, that: (i) it shall be within the discretion of such Applicant to designate as Applicable Products those Products or Brands under which it produces under license for Third Parties; (ii) it shall be within the discretion of such Applicant to exclude particular product lines of an Applicable Product if such product lines are produced by Third Parties under license from the Applicant, but in no event may an Applicant exclude under this provision product lines which, in the aggregate, comprise more than thirty percent (30%) of such Applicant's annual revenue derived from such Applicable Products; and (iii) where a Brand is used across various product lines, the Applicant shall seek a finding by the Association that such Brand is produced in Compliance with the Fair Labor Association Standards as used for its major product lines and, within its discretion, for other product lines<sup>3</sup>. Following the Initial Implementation Period, the Participating Company shall commit to progressively seek a finding by the Association that its other major Products and Brands are produced in Compliance with the Fair Labor Association Standards, with a view toward achieving full participation among all of its Products and Brands.

Among the information to be provided in each Applicant's Monitoring Plan shall be: training materials for internal monitors; job descriptions of the employees responsible for the Applicant's internal compliance program and the conduct of internal monitoring; a list identifying the number of the Applicant's Applicable Facilities in each country; data on the number and frequency of on-site inspections of Applicable Facilities; and evaluation and reporting forms for internal monitoring. As part of its application, the Applicant shall also disclose any pertinent citations issued against the Applicant by a competent authority, in the areas of labor relations, wage and hour, and occupational safety and health, in the five years prior to its application to the Association. No later than ten (10) Business Days after the approval by the Board of the Applicant's Monitoring Plan, the Applicant shall provide to the Executive Director of the Association a complete list of its Facilities in a format prescribed by the Association together with access to all relevant information pertaining to each Facility that is necessary to carry out the Applicant's Monitoring Plan. The identity of such Facilities shall be maintained in

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<sup>1</sup> In the event that no single Product or Brand of an Applicant accounts for thirty percent (30%) or more of such Applicant's annual consolidated revenues, then the Applicant and the Association shall reach an agreement as to which Products or Brands of the Applicant constitute significant Products or Brands which shall be included as Applicable Products.

<sup>2</sup> A product line of a Brand may be designated as an Applicable Product for which the Applicant seeks to participate during the Initial Implementation Period provided that such product line accounts for thirty percent (30%) or more of the Applicant's revenues.

<sup>3</sup> In the event that such designated product lines account for less than thirty percent (30%) of the Applicant's annual consolidated revenues derived from such Brand, then the Applicant and the Association shall reach an agreement as to which product lines within such Brand constitute significant product lines to be initially included in the monitoring process.

strict confidence by the Executive Director (and, with respect to Facilities of College or University Licensees, the University Liaison), and such list of Facilities, shall be disclosed only to those key staff members of the Association whose duties reasonably require them to have access to such information and shall be maintained in strict confidence by such staff members, subject to appropriate confidentiality agreements between the Association and its staff members. In cases where a College or University Affiliate has a policy that requires each of its College or University Licensees to disclose such information and a College or University Licensee has agreed by contract with its College or University Affiliate to do so, the University Liaison may share such information with such College or University Affiliate, if both the College or University Affiliate and its College or University Licensee request the University Liaison to do so.

A Participating Company shall be required to keep its Monitoring Plan up-to-date, by notifying the Association of any material changes to its Monitoring Plan. A Participating Company shall report to the Association annually on its ongoing activities to implement its Monitoring Plan with respect to additional Products and Brands. In addition, should a Participating Company at any time acquire any additional Products or Brands, then the Participating Company shall provide the Association with a plan for participation of such Products or Brands in the Association.

**B. Internal Compliance Program**

Each Participating Company shall implement an internal compliance program consistent with the Monitoring Principles covering at least one-half (1/2) of all Applicable Facilities during the first half of the Initial Implementation Period, and covering all of its Facilities during the second half of the Initial Implementation Period. As part of its internal monitoring, the Participating Company shall conduct periodic internal monitoring visits of its Applicable Facilities in accordance with its Monitoring Plan by the end of the Initial Implementation Period. Following the Initial Implementation Period, a Participating Company shall continue to fully implement the Monitoring Principles in all of its Applicable Facilities.

In order to verify, evaluate and publicly account for the compliance program of a Participating Company, staff members of the Association will conduct an internal audit of the compliance program of the Participating Company on at least an annual basis. The Participating Company will facilitate the visit and provide the FLA staff with access to information related to the monitoring of its Applicable Facilities and any remediation conducted in such Facilities. The Participating Company will maintain monitoring reports and, where applicable, remediation plans for each Facility monitored by internal monitors or Independent External Monitors, which shall include: (a) a description of any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles found at the Applicable Facility by the monitor, (b) a description of the remedial steps taken by the Participating Company at such Applicable Facility in response to the monitor's findings of noncompliance with the Workplace Code or Monitoring Principles; and (c) a description of remedial actions taken by the Participating Company to prevent the recurrence of such noncompliance at the Applicable Facility. These reports and



remediation plans will be made available, upon request, to FLA staff conducting the oversight of the Participating Company's compliance program. FLA staff will also make field visits to observe the work of the Participating Company's local compliance staff and assess factory conditions.

C. Independent External Monitoring

A Participating Company shall agree to subject its Applicable Facilities to unannounced monitoring visits conducted by Independent External Monitors. The FLA staff will determine which Facilities will be subject to independent external monitoring, based on risk factors and using a random sampling methodology, and will schedule and assign the monitoring visits to Independent External Monitors.

The Association's criteria for risk assessment will include, but is not limited to, the following factors:

- Any record at a particular Applicable Facility of unremediated, substantiated violations of the workplace standards set forth in the Workplace Code or of credible complaints with respect to such violations;
- The risk of noncompliance presented in the country (or, where appropriate, region of such country) in which the Applicable Facility is located; and
- Size of the Applicable Facility, in terms of the number of employees, volume of production, and percentage of the Participating Company's production sourced at such Applicable Facility.

The FLA staff will conduct due diligence in the selection of Facilities and of Independent External Monitors to ensure no conflicts of interest or errors of fact. Credit shall be given to a Participating Company if one of its Applicable Facilities is already subject to independent external monitoring conducted on behalf of another Participating Company using the same Facility, provided that the Independent External Monitor for such Facility is independent (as determined by Section VIII.A. of the Charter) of the Participating Company receiving such credit. As in the case of internal monitoring, De Minimis Facilities need not be subject to independent external monitoring.

Following the Initial Implementation Period, Independent External Monitors shall continue independent external monitoring of the Applicable Facilities of each Participating Company. The initial level of monitoring shall be five percent (5%) of a Participating Company's Applicable Facilities. At its discretion, a Participating Company may elect to include a higher percentage of its Applicable Facilities.

The Association shall gather information and consult with experts in sampling techniques in order to determine the level of independent external monitoring to be undertaken after the Initial Implementation Period, sufficient for the Association to verify, evaluate and account for the internal compliance program of a Participating Company. The Board of

Directors shall consider such information and may modify the level of independent external monitoring by a Supermajority Vote of the Board.

D. Costs of Independent External Monitoring

The Association has established a wholly-owned subsidiary, FLA Independent External Monitoring LLC (“FLA IEM, LLC”), to be used exclusively for independent external monitoring. Each Participating Company shall pay assessments at regular intervals to FLA IEM, LLC to cover costs incurred by the Association with respect to the independent external monitoring of the Participating Company’s Applicable Facilities. Assessments paid to FLA IEM, LLC that are not used in any one assessment period will either be reimbursed to the Participating Company or carried over into the next period to cover independent external monitoring. Any interest earned or accrued on advance payments to FLA IEM, LLC shall be retained to support the administrative costs of FLA IEM, LLC and other costs of the Association’s Monitoring Program. Each Participating Company shall also bear all costs, within reasonable and expected limits, of any verification visits of Applicable Facilities in connection with the remediation of instances of significant noncompliance with the Workplace Code or Monitoring Principles found at such Applicable Facilities.

E. Reporting on Independent External Monitoring

Each Independent External Monitor conducting an independent external monitoring visit of an Applicable Facility of a Participating Company shall provide to the Association and the Participating Company a standardized report on such Facility, describing any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles found at the Applicable Facility by the Independent External Monitor. No later than sixty (60) days after the receipt of each such report, the Participating Company shall provide to the Association a remediation plan for the Facility which shall include: (a) a description of the remedial steps taken by the Participating Company at such Applicable Facility in response to instances of noncompliance with the Workplace Code or Monitoring Principles found by the Independent External Monitor; and (b) a description of remedial actions taken by the Participating Company to prevent the recurrence of such noncompliance at the Applicable Facility.

Subsequent to each independent external monitoring visit of an Applicable Facility of a Participating Company, the FLA staff will analyze and verify the findings of the Independent External Monitor and the remediation plan implemented by the Participating Company. Drawing from these results and from information from the Participating Company, the Association will publicly disclose on its website information related to each Facility that has been subject to independent external monitoring, including the following: (i) the name of the Participating Company producing in the Facility; (ii) the country and/or region of the Facility; (iii) the product type; (iv) the approximate population of the Facility workforce; (v) the name of the Independent External Monitor; (vi) the date and length of the monitoring visit; (vii) the noncompliance issues identified; (viii) the remediation instituted; (ix) the status of the remediation; and (x) any best

practices. The goal shall be to provide information sufficient to describe the Facility in depth while maintaining its anonymity.

F. Determinations of Compliance

At the end of the Initial Implementation Period, and every three years thereafter, the Executive Director of the Association shall advise the Board of Directors whether the production of the Applicable Products of a Participating Company should be found to be in Compliance with the Fair Labor Association Standards and shall recommend the level of Independent External Monitoring to be undertaken by the Participating Company in the following year. In making such findings, the Executive Director and the Board of Directors shall evaluate the following factors:

- Effective implementation by the Participating Company of an internal compliance program and independent external monitoring consistent with the Monitoring Principles;
- Timely remediation by the Participating Company of instances of noncompliance with the Workplace Code or Monitoring Principles found by internal monitors or Independent External Monitors; and
- In situations where monitors have found a significant and/or persistent pattern of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles, the taking of adequate steps by the Participating Company to prevent recurrence in other Applicable Facilities where such type of noncompliance may occur.

G. Public Reporting on Participating Company Compliance

Immediately following a finding by the Association that the Applicable Products of a Participating Company are produced in Compliance with the Fair Labor Association Standards, the Association shall issue a report describing the activities of such Participating Company to implement the Workplace Code and Monitoring Principles. The report shall summarize the activities and findings of the Participating Company's internal compliance program and the activities and findings of Independent External Monitors. The report shall describe the steps taken by the Participating Company to prevent the noncompliance found by either internal monitors or Independent External Monitors in the Participating Company's Applicable Facilities from recurring in other Applicable Facilities where such type of noncompliance may occur. The report also shall include the information described in subparts (v) through (xi) below and shall describe the remedial actions taken by the Participating Company in response to any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles found by either internal monitors or Independent External Monitors at Applicable Facilities.

The staff of the Association shall use materials provided by the Participating Company, the reports on inspected Applicable Facilities prepared by Independent External

Monitors, investigations of any Third Party Complaints and the Association's review of the Participating Company's internal compliance program to prepare such public report, which shall contain:

- (i) A finding as to whether the Participating Company has effectively implemented an internal compliance program and Independent External Monitoring consistent with the Monitoring Principles;
- (ii) The number of Applicable Facilities inspected by internal monitors during the implementation period and the countries where such inspections occurred;
- (iii) A finding as to whether the Participating Company has timely remediated instances of noncompliance with the Workplace Code or Monitoring Principles found by internal monitors or Independent External Monitors;
- (iv) A description of the Participating Company's Applicable Products, and the annual consolidated revenues or percentage of sales of the Participating Company attributable to each such Applicable Product<sup>4</sup>;
- (v) A list of the countries and, where appropriate, regions of such countries, in which the Participating Company's Applicable Products are produced, manufactured or supplied;
- (vi) A summary of the Participating Company's internal monitoring process, including the level of training of internal monitors, materials provided to internal monitors and the administration of the internal monitoring process;
- (vii) The countries and, where appropriate, regions of such countries in which Independent External Monitors conducted independent external monitoring of Applicable Facilities, and the identity of such monitors;
- (viii) The number of Applicable Facilities subject to independent external monitoring during the period;
- (ix) A summary of specific aspects of the Participating Company's internal compliance program that are particularly innovative or exemplary;
- (x) A summary and assessment of any significant and/or persistent patterns of noncompliance, and instances of serious noncompliance, with the Workplace Code or Monitoring Principles found in the production of any Applicable Products, identifying, where appropriate, specific countries and

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<sup>4</sup> To the extent such information is confidential or proprietary for privately owned Companies, Retailers or Suppliers, the Association shall not disclose such information to the public, and shall work with such Companies, Retailers and Suppliers to substitute other meaningful information in the public report which is not confidential or proprietary.

evaluating such information in the context of the human rights situation in the particular country (based on information contained in reports on country practices from governmental and intergovernmental organizations); and

- (xi) A summary and assessment of the remediation steps taken or initiated by the Participating Company to prevent the recurrence of any significant and/or persistent patterns of noncompliance, or instances of serious noncompliance, with the Workplace Code or Monitoring Principles, found in the production of any Applicable Products.

The content and public release of such report shall be subject to the approval of the Board of Directors of the Association. The report shall be released to the Participating Company five Business Days prior to its public release. The report shall exclude information determined by the Association, in consultation with the Participating Company, to be of a proprietary or confidential nature.

All reports and other confidential or proprietary information provided to the Association by Participating Companies and Independent External Monitors (other than reports intended for public dissemination) shall be disclosed only to those staff members of the Association whose duties reasonably require them to have access to such information and shall be maintained in strict confidence by such staff members. Employees of the Association shall be required to execute confidentiality and nondisclosure agreements with respect to such information.

Similar reports shall be issued at the time each Participating Company's compliance is reviewed every three years thereafter, in such format as may be determined by the Board of Directors. The Board also shall determine appropriate public reporting procedures regarding the status and participation of Category B College or University Licensees.

#### H. Special Review

If a Participating Company or Category B Licensee fails to meet or maintain the participation criteria set forth in Section III of the Charter, or if the Participating Company or Category B Licensee fails to achieve or maintain Compliance with the Fair Labor Association Standards with respect to its Applicable Products, the Participating Company's or Category B Licensee's status may be placed on a ninety (90) day period of special review by the Board of Directors. During a such special review period, neither such Participating Company or Category B Licensee, nor the Association shall identify the Participating Company or Category B Licensee as being in Compliance with the Fair Labor Association Standards. Upon the expiration of the ninety (90) day special review period, the Board may extend such special review period for such time as the Board reasonably believes the Participating Company or Category B Licensee needs to effectively address the issues which required such special review period or otherwise to achieve Compliance with the Fair Labor Association Standards with respect to its Applicable Products. During such extended special review period, the Participating

Company shall have the status of a Participating Company, and a Category B Licensee shall have the status of a Category B Licensee.

I. Termination of Participation

Following any period of special review, whether or not such period has been extended by the Board, the Board of Directors may terminate the participation of a Participating Company or Category B Licensee in the Association if the Participating Company or Category B Licensee has not effectively addressed the issues which required such special review period and the Board finds that the Participating Company or Category B Licensee is still not in Compliance with the Fair Labor Association Standards with respect to its Applicable Products. The fact that a Participating Company's or Category B Licensee's participation has been terminated shall be made public by the Association.

**X. SPECIAL COUNTRY GUIDELINES**

Implementation of some of the standards contained in the Workplace Code may be problematic in certain countries where the rights embodied in the standards are not fully recognized or enforced either through law or practice. Despite these difficulties, one of the principal goals of the Association is to promote and encourage positive change in these countries so these standards become fully recognized, respected and enforced. When deemed necessary and appropriate by the Board, the Association shall provide Participating Companies and College or University Licensees with appropriate country guidelines to address such special problems. The Association staff also shall provide to Participating Companies and College or University Licensees periodic reports on country practices from sources such as the International Labor Organization, local and international non-governmental organizations and the annual U.S. State Department human rights country reports.

With regard to the standard on freedom of association and collective bargaining contained in the Workplace Code, the Association expects all Participating Companies and College or University Licensees to address this issue by taking steps to ensure that employees have the ability to exercise these rights without fear of discrimination or punishment. Such steps include contracting with factory owners that understand and recognize these rights and who shall not affirmatively seek the assistance of state authorities to prevent workers from exercising these rights. The resort to violence by either employers or employees shall be considered inconsistent with the right to freedom of association and collective bargaining, as provided by ILO Conventions 87 and 98.

**XI. THIRD PARTY COMPLAINT PROCEDURE**

The purpose of the Third Party Complaint Procedure is to investigate allegations of significant and/or persistent patterns of noncompliance, or an individual incident of serious noncompliance, with the Workplace Code or Monitoring Principles in the Facilities of Participating Companies and College or University Licensees. A key part of the Procedure is remediation of any verified instances of noncompliance through corrective action.

A. The Complaint Process

Step 1:           **Lodging the Complaint**

Any party may lodge a Complaint with the Executive Director of the Association regarding a Facility, unless that party is an Independent External Monitor which has rendered a service for the Facility in the six months prior to the Complaint. The Complaint must contain reliable, specific and verifiable evidence or information that the Alleged Noncompliance has occurred. Promptly after the filing of a Complaint, the FLA staff will consult with the Third Party to make a preliminary assessment of whether to move forward with the process. In assessing the Complaint the FLA staff will consider the reliability of any past Complaints made by the Third Party. If the FLA staff decides to move forward, the process goes to Step 2; if the FLA staff decides not to move forward, the Executive Director will inform the Third Party in writing of such decision, with an explanation for such decision.

The Third Party has the option of asking the Association to keep its identity confidential. If the Third Party elects to make the Complaint public, then the Executive Director may publicly acknowledge the identity of the Third Party.

Step 2:           **Informing the Participating Company or Licensee**

The Executive Director will inform any Participating Company or College or University Licensee involved in such Facility that a Complaint has been filed, and will provide the Participating Company or College or University Licensee with the information supplied by the Third Party. The Association will also provide a preliminary indication as to which Workplace Standards are potentially non-compliant. The Participating Company or College or University Licensee will be permitted up to forty-five (45) days either to request that the process go directly to Step 3 or to investigate the Alleged Noncompliance internally.

If the Participating Company or College or University Licensee elects to carry out its own assessment it must report back in writing to the Executive Director by the end of the forty-five (45) day period as to whether the Alleged Noncompliance occurred, and if so, whether and how it has been remediated. If the Association agrees with the Participating Company's or College or University Licensee's assessment then the Third Party shall be so informed, in writing. If the Third Party is not able to provide information which reasonably rebuts such conclusion, then the Executive Director will terminate the process and provide a Summary Report to both the Participating Company or College or University Licensee and the Third Party. If the process is not terminated at this point then it will proceed to Step 3.

If at any point during this or succeeding steps the Executive Director determines that immediate action is required (for example, that there is retaliation against workers or that workers and/or management are in danger of imminent harm), the

Association reserves the right to take such action, within reason and consistent with the Charter. Depending on the severity of the situation, such action might include, but would not be limited to, one of the following: asking the Participating Company or College or University Licensee to intervene; sending an observer to the Facility; or asking local authorities to intervene. Actions of this kind should be reviewed on a timely basis with the Executive Committee of the Board.

**Step 3:            Assessing of the Complaint by FLA**

The Association will determine whether to proceed with further assessment through use of either an expert or an Independent External Monitor. If the Association decides after such consultation not to proceed then the Executive Director will terminate the process and provide a Summary Report to the Participating Company or College or University Licensee and the Third Party. If the decision is to proceed then further assessment will take place. The Participating Company or College or University Licensee will ensure that the assessor has access to any and all information which that assessor feels is necessary. The assessor will perform the work in a timely manner and, where applicable, in accordance with FLA monitoring guidelines. The assessor will prepare a report describing the work and any findings.

The Participating Company or College or University Licensee will pay or reimburse the Association for the cost of the assessment but may, at the sole determination of the Association, have it counted as part or all of an independent external monitoring event.

If the Participating Company or College or University Licensee declines to proceed with the monitoring process then the Executive Director will terminate the process and provide a Summary Report to the Participating Company or College or University Licensee, the Third Party and the Board of Directors, describing the Participating Company's or College or University Licensee's decision to terminate the process

**Step 4:            Remediation**

If the assessor finds a significant likelihood of that the Alleged Noncompliance occurred, then the Participating Company or College or University Licensee will work with the Association to develop an appropriate remediation plan and implement it to the satisfaction of the Association. If the Participating Company or College or University Licensee fails to do so, then the Executive Director will terminate the process and inform the Participating Company or College or University Licensee, the Third Party and the Board of Directors in the Summary Report.

If the Participating Company or College or University Licensee agrees to proceed with the remediation then it will provide a draft remediation plan within thirty (30) days. The Association will prepare and post a standard Tracking Chart of the



event on its website no later than ninety (90) days after the Executive Director's receipt of the assessment. Any remediation that has occurred, or that is in process, will be included in the Tracking Chart.

The Association will prepare a Summary Report of the Complaint and its progress to date and provide that report to the Participating Company or College or University Licensee, the Third Party and the Board of Directors. The Summary Report will include the information already provided in any posted Tracking Chart and may include additional information about the process that has occurred. The report will state whether the Alleged Noncompliance (actual or likely) has been remediated to the satisfaction of the Association; and if not, whether a process of on-going remediation that is satisfactory to the Association is still in progress. In the case of such on-going remediation the Association will continue to report on it to the Participating Company or College or University Licensee and the Third Party until such time as the Association determines that either a sufficient level of remediation has been achieved, or that it is unlikely it will be achieved; at that point the Association will prepare a final Summary Report and provide it to the Participating Company or College or University Licensee, the Third Party and the Board of Directors.

**B. Public Statements by the Parties**

It is intended that the Third Party Complaint Procedure will take place in a context free of public allegation and innuendo. From and after Step 2 of the Third Party Complaint Procedure, any of the parties involved may state publicly that a Complaint has been filed involving the Participating Company or College or University Licensee and that the Complaint is at the specified step in the Third Party Complaint Procedure. If a Participating Company or College or University Licensee or Third Party elects to make public statements regarding the substance of a Complaint then the Executive Director may disclose information which, in his or her judgment, corrects any misrepresentation of the situation. In extreme cases the Executive Director may find that public statements (i) by a Participating Company or College or University Licensee constitute noncompliance with the Association's program, or (ii) by a Third Party provide grounds for dismissal of a Complaint.

**C. Complaints Concerning College or University Licensees**

In addition to the foregoing procedure, with respect to any Complaint which involves a College or University Licensee, the Executive Director shall consult and coordinate regularly with the University Liaison in the assessment of the reliability of such Complaint and in the evaluation of the College or University Licensee's response to the Complaint. The Executive Director shall inform the University Liaison of any Complaint that involves the subcontractors and suppliers of Category C or D Licensees. In the case of College or University Licensees, all Summary Reports will be made available to each College or University Affiliate which has a licensing contract with such College or University Licensee.

## **XII. ASSOCIATION RESOURCES**

The Association must secure a multi-year financial commitment that allows it to carry out its responsibilities as set forth in this Charter. While the long-term economic viability of the Association shall depend on funding from Participating Companies based on annual assessments scaled according to each Participating Company's annual consolidated revenues and from College or University Affiliates based on annual dues, the Association also shall seek assistance from the government, foundations and other non-profit sources.

## WORKPLACE CODE OF CONDUCT

The Fair Labor Association addresses issues related to the eradication of sweatshops in the United States and abroad. The Association has adopted the following set of standards defining decent and humane working conditions, which were formulated by the Apparel Industry Partnership. The Association believes that consumers can have confidence that products that are manufactured in compliance with these standards are not produced under exploitative or inhumane conditions.

Forced Labor. There shall not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.

Child Labor. No person shall be employed at an age younger than 15 (or 14 where the law of the country of manufacture<sup>5</sup> allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

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

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

Health and Safety. Employers shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.

Freedom of Association and Collective Bargaining. Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

Wages and Benefits. Employers recognize that wages are essential to meeting employees' basic needs. Employers shall pay employees, as a floor, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.

Hours of Work. Except in extraordinary business circumstances, employees shall (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country do not limit the hours of work, the regular work week in such country plus 12 hours overtime and (ii) be entitled to at least one day off in every seven day period.

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<sup>5</sup> All references to local law throughout this Code shall include regulations implemented in accordance with applicable local law.

Overtime Compensation. In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate at least equal to their regular hourly compensation rate.

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Any Company that determines to adopt the Workplace Code of Conduct shall, in addition to complying with all applicable laws of the country of manufacture, comply with and support the Workplace Code of Conduct in accordance with the attached Principles of Monitoring and shall apply the higher standard in cases of differences or conflicts. Any Company that determines to adopt the Workplace Code of Conduct also shall require its licensees and contractors and, in the case of a retailer, its suppliers to comply with applicable local laws and with this Code in accordance with the attached Principles of Monitoring and to apply the higher standard in cases of differences or conflicts.

## PRINCIPLES OF MONITORING

### I. OBLIGATIONS OF COMPANIES<sup>6</sup>

#### A. Establish Clear Standards

- Establish and articulate clear, written workplace standards<sup>7</sup>
- Formally convey those standards to Company factories as well as to licensees, contractors and suppliers
- Receive written certifications, on a regular basis, from Company factories as well as contractors and suppliers that standards are being met, and that employees have been informed about the standards
- Obtain written agreement of Company factories and contractors and suppliers to submit to periodic inspections and audits, including by accredited external monitors, for compliance with the workplace standards

#### B. Create An Informed Workplace

Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis

#### C. Develop An Information Database

- Develop a questionnaire to verify and quantify compliance with the workplace standards
- Require Company factories and contractors and suppliers to complete and submit the questionnaire to the Company on a regular basis

#### D. Establish Program to Train Company Monitors

Provide training on a regular basis to Company monitors about the workplace standards and applicable local and international law, as well as about effective monitoring

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<sup>6</sup> It is recognized that implementation by companies of internal monitoring programs might vary depending upon the extent of their resources but that any internal monitoring program adopted by a Company would be consistent with these Principles of Monitoring. If companies do not have the resources to implement some of these Principles as part of an internal monitoring program, they may delegate the implementation of such Principles to an accredited independent external monitor.

<sup>7</sup> Adoption of the Workplace Code of Conduct would satisfy the requirement to establish and articulate clear written standards. Accordingly, all references to the “workplace standards” and the “standards” throughout this document could be replaced with a reference to the Workplace Code of Conduct.

practices, so as to enable Company monitors to be able to assess compliance with the standards

E. Conduct Periodic Visits and Audits

- Have trained Company monitors conduct periodic announced and unannounced visits to an appropriate sampling of Company factories and facilities of contractors and suppliers to assess compliance with the workplace standards
- Have Company monitors conduct periodic audits of production records and practices and of wage, hour, payroll and other employee records and practices of Company factories and contractors and suppliers

F. Provide Employees With Opportunity to Report Noncompliance

Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so

G. Establish Relationships with Labor, Human Rights, Religious or Other Local Institutions

- Consult regularly with human rights, labor, religious or other leading local institutions that are likely to have the trust of workers and knowledge of local conditions and utilize, where companies deem necessary, such local institutions to facilitate communication with Company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards
- Consult periodically with legally constituted unions representing employees at the worksite regarding the monitoring process and utilize, where companies deem appropriate, the input of such unions
- Assure that implementation of monitoring is consistent with applicable collective bargaining agreements

H. Establish Means of Remediation

- Work with Company factories and contractors and suppliers to correct instances of noncompliance with the workplace standards promptly as they are discovered and to take steps to ensure that such instances do not recur
- Condition future business with contractors and suppliers upon compliance with the standards

## **II. OBLIGATIONS OF INDEPENDENT EXTERNAL MONITORS**

### **A. Maintain Standards of Independence**

Demonstrate satisfaction of the independence criteria of the FLA. Prior to entering into a contractual agreement with the FLA to conduct independent external monitoring, disclose to the FLA any possible conflicts of interest with the selected Facility to be monitored and the applicable Participating Company or College or University Licensee.

### **B. Conduct Independent External Monitoring in Accordance with FLA Methodology and Procedures**

Conduct an independent external monitoring visit of the selected Facility in accordance with FLA methodology and procedures, including, but not limited to, the following:

- Gathering information from local knowledgeable sources
- Conducting confidential interviews of factory workers
- Interviewing factory management
- Conducting a visual inspection of the factory
- Reviewing personnel, payroll and timekeeping records

### **C. Evaluate Compliance with the FLA Workplace Code of Conduct**

Synthesize, cross-check and verify information gathered in the monitoring process from all relevant sources in order to conduct an objective and impartial evaluation of compliance with the FLA Workplace Code of Conduct.

### **D. Report Findings of Noncompliance in a Timely Fashion**

Report instances or situations of noncompliance to the FLA and the applicable Participating Company or College or University Licensee in a timely fashion, using the reporting document prescribed by the FLA.

### **E. Maintain Accountability for Findings**

Maintain accountability for information gathered from the monitoring process, to be made available to the FLA upon request.