



About the Collegiate Licensee Program

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These questions and others are answered on the following pages. For further information, call Andrew Nelson, the FLA's Acting University Liaison, at 202-898-1000 ext. 222.

What is the FLA?

The FLA was created to help eliminate sweatshop practices and improve working conditions in factories around the world.

Through the FLA, human rights groups, labor rights groups, religious groups, consumer groups, universities, and companies have worked together to create a workplace code of conduct that includes provisions on forced labor, child labor, harassment or abuse, nondiscrimination, health and safety, freedom of association and collective bargaining, wages and benefits, hours of work, and overtime compensation. They also have adopted a set of monitoring principles to determine whether companies are in compliance with FLA standards, and have created a procedure for investigating and responding to third party complaints of serious or persistent noncompliance with the code or the monitoring principles.

The FLA is governed by a 16- member board of directors that includes six company representatives, six representatives from non-governmental organizations (ngos), three university representatives, and the chair. The FLA office is located in Washington, D.C.

What role do colleges and universities play in the FLA?

In recent years, many colleges and universities have begun to seek assurances that products bearing their names are produced under fair and proper working conditions. In an effort to reach this goal, 179 institutions have affiliated with the FLA. As FLA members, schools require all of their licensees to participate in the FLA. Additionally, every FLA school requires the public disclosure of factory locations where its licensed products are manufactured.

All colleges and universities in the FLA belong to a University Advisory Council (UAC) that is

governed by a 17-member executive committee.

Why does my company have to join the FLA?

In an attempt to improve the working conditions under which their licensed products are produced, FLA schools require their licensees to affiliate with the FLA. A licensee therefore cannot manufacture or distribute products bearing the logo of FLA member institutions unless the company first joins the FLA. In an effort to be fair to licensees of all sizes, there are different categories of licensee affiliation that allow for differing levels of participation and are based on a company's total annual revenues. Even though FLA affiliation is required, it is the hope of each FLA school that licensees will welcome the opportunity to join the FLA and see membership as an opportunity to help better the lives of the workers who contribute to the growth and success of their companies.

Which licensee category is right for my company?

The nature of participation by a company that is a college or university licensee depends on the size of the company. You should review the following information and decide which category is appropriate for your company.

Categories A/B: Any company may participate in Category A or B, but if your company has total annual revenues of \$50 million or greater, then you must choose either Category A or B. A Category A licensee is the same as an FLA Participating Company. It therefore must meet each of those requirements (found in the FLA Charter) and can qualify for FLA certification. Whereas Category A licensees subject all of their facilities to the FLA's monitoring process, Category B licensees submit to the FLA's monitoring process only those facilities that produce goods bearing the logos of FLA-affiliated colleges and universities. You should review the Category A requirements and Category B requirements (listed below) for more help in deciding which of these two categories is right for your company.

Category C: Companies with annual consolidated revenues below \$50 million that do not qualify for Category D and choose not to participate in Category A or B. Category C requirements are listed below.

Category D: Companies with annual consolidated revenues below \$1 million whose company-owned production and/or manufacturing facilities are located in the United States and either in the same state as, or within 200 miles of, the college or university for which it is a licensee. Category D requirements are listed below.

***Note: Licensee categories are based on a company's *total* annual revenues and not its revenues from the sale of collegiate goods.**

What is required of FLA-affiliated licensees?

The requirements of FLA affiliates vary depending on category. Below is a description of the

requirements for each category.

Category A

The FLA Charter requires college and university licensees with annual consolidated revenues of \$50 million or greater to participate in either Category A or Category B.

A licensee that participates in Category A is a fully participating company of the FLA. These licensees are considered Participating Companies and therefore must meet the PC requirements, which are described in detail in the FLA Charter.

In summary, the obligations of Participating Companies are as follows:

§ Adopt, and require its applicable licensees, contractors and suppliers to adopt, the FLA workplace code.

§ Convey the code and the company's commitment to comply with the code, to the officers, managers and employees of its factories and of its licensees, contractors and suppliers.

§ Implement a system of factory monitoring and compliance, in accordance with the FLA's monitoring principles and its monitoring guidance and compliance benchmarks, that includes both internal company compliance programs and monitoring by independent external monitors accredited by the FLA.

§ Pay annual assessments to the FLA, based on a formula related to the company's annual revenues. Assessments range from \$5,000 to \$100,000, with the maximum assessment of \$100,000 required of any company with annual revenues in excess of \$10 billion.

The Monitoring Process

Each company begins the monitoring process by submitting a plan and electing an initial implementation period of two or three years. The plan must describe the company's internal and independent external monitoring programs. The Charter provides further information about the designation of applicable brands and the criteria for designating "de minimis" facilities.

After acceptance of its plan, the company must provide a complete list of its applicable facilities.

Internal Monitoring: Companies are required to apply their monitoring plan to half of their facilities during the first year and all of their facilities during the second and all subsequent years of FLA participation, in accordance with FLA monitoring principles and guidelines. A key aspect of this implementation process is the company's regular internal monitoring of an appropriate sample of their production facilities. The effectiveness and efficiency of the implementation of the monitoring plan will be evaluated by the process of external monitoring and by FLA staff members who will annually visit and audit the company's compliance programs.

External Monitoring: The FLA will select a random sample of five percent of a company's applicable facilities to be subject to Independent External Monitoring (IEM). The entire sample will be determined from the company's submitted factory list, and the random sampling methodology will be weighted for risk factors that include country risk, production process, factory size/number of employees, and past compliance performance.

Costs of External Monitoring

In order to pay for its IEM visits, a company makes a contribution to a revolving trust that is based on the IEM sample size. The company contribution is based on the following formula: Average cost of audit (\$4000) x number of applicable facilities. The company pays the assessment before the monitoring visit, and if the total cost of a company's IEM visits is less than the company's total contribution to the trust, then the company can be reimbursed the balance at the end of the implementation year or roll over the reimbursable funds to the next implementation year. A non-refundable "per IEM" management fee of \$2,110 will also apply per monitoring visit.

Reporting

Each year the company submits a report to the FLA describing its activities to implement the workplace code and monitoring principles and the corrective steps it has taken to address instances or patterns of noncompliance and prevent their recurrence in the future. The FLA uses this report and the monitoring reports of the accredited independent external monitors to prepare an annual public report on each company (see the Charter for more detailed information).

Category B

A licensee that participates in Category B submits to the FLA's monitoring process only those facilities that produce or manufacture products under license from FLA-affiliated schools.

For those facilities, Category B licensees take on the same obligations as Participating Companies. This means they must adopt the FLA workplace code for those facilities and conduct internal company monitoring and monitoring by accredited independent external monitors, in compliance with the FLA's monitoring principles and its monitoring guidance and benchmarks.

It also means that a public report will be issued each year on the company's implementation of the FLA standards and the remedial steps it has taken at its applicable facilities. These facilities also are subject to the FLA's third party complaint procedure.

Annual dues for Category B licensees are based on the company's total revenues from goods licensed by all FLA-affiliated schools. If these revenues are \$100 million or less, a Category B licensee's dues are \$1,000. If these revenues are more than \$100 million, dues are \$1,000 plus .00001 times revenues in excess of \$100 million.

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Category C

Category C licensees are companies with annual revenues below \$50 million that do not qualify for Category D status. The requirements for Category C licensees are as follows:

§ Adopt the FLA workplace code in the production or manufacture of products under license from any affiliated college or university in facilities that are owned and/or operated by the licensee.

§ Within two years, implement a system of internal monitoring for these facilities that is adapted by the University Liaison from the FLA monitoring principles.

§ As soon as feasible following implementation of a system of internal monitoring, participate with other Category C licensees in a pool of facilities that are owned and/or operated by these licensees, from which each year the University Liaison shall select 10% in consultation with the University Advisory Council to be inspected by accredited independent external monitors selected by the FLA.

§ Provide to the University Liaison the names and addresses of any subcontractors and/or suppliers from which they secure goods for the production or provision of licensed products.

A Category C licensee pays a fee set at .0001 times annual revenues, but with a minimum fee of \$500. The FLA covers the costs of accredited independent external monitoring of those facilities selected from the Category C pool for such monitoring, although the licensee is responsible for the costs of any remedial activities.

The owned and/or operated facilities of Category C licensees are covered by the FLA's third party complaint procedure. In addition, the University Liaison will inform affiliated colleges and universities of any complaints that may come to the attention of the FLA regarding the subcontractors or suppliers of a school's Category C licensees.

Category D

Category D licensees are companies with annual revenues below \$1 million whose production and/or manufacturing facilities are located in the United States (where they are subject to U.S. labor and health and safety laws and regulations) and are either in the same state as, or within 200 miles of, at least one college or university for which it is a licensee.

The requirements for Category D licensees are as follows:

- § Certify their compliance with the FLA workplace code.
- § Publicly disclose the location of all the facilities they own and/or operate.

Category D licensees are subject to the FLA's third party complaint procedure.

Category D licensees are not required to pay a participation fee.

Will my company's factory information be made public?

All FLA-affiliated schools have policies that require the public disclosure of the factory locations where their licensed products are made. Therefore, every licensee that joins the FLA will have its factory locations posted on the factory disclosure database, which can be found on the FLA website.

How do I join the FLA?

You can join the FLA by visiting the Licensee Help Center, found on the FLA website at . If you wish to become a Category A or B Licensee, then you should download the "Licensee Registration Form" and fax it to the attention of Andrew Nelson at 202.898.9050. Companies who meet the criteria for Category C or D do not need to complete the registration form and should instead download the Category C or D application (also found at the Licensee Help Center) and fax it to the same number.