

## **Labor Code Standards Schedule I**

- I. Introduction: The Collegiate Licensing Company (“CLC”) and the collegiate institutions represented by CLC (“Collegiate Institutions”) are each committed to conducting their business affairs in a socially responsible and ethical manner consistent with their respective educational, research and/or service missions, and to protecting and preserving the global environment. While CLC and the Collegiate Institutions believe that Licensees share this commitment, CLC and certain Collegiate Institutions have adopted the following Labor Code Standards (the “Code”) which requires that all Licensees, at a minimum, adhere to the principles set forth in the Code.

Throughout the Code the term “Licensee” shall include all persons or entities which have entered into a written “License Agreement” with CLC to manufacture “Licensed Articles” (as that term is defined in the License Agreement) bearing the names, trademarks and/or images of one or more Collegiate Institutions. The term “Licensee” shall for purposes of the Code, and unless otherwise specified in the Code, encompass all of Licensee’s contractors, subcontractors or manufacturers which produce, assemble or package finished Licensed Articles for the consumer.

- II. Standards: Licensees agree to operate work places and contract with companies whose work places adhere to the standards and practices described below. CLC and the Collegiate Institutions prefer that Licensees exceed these standards.
- A. Legal Compliance: Licensees must comply with all applicable legal requirements of the country(ies) of manufacture in conducting business related to or involving the production or sale of Licensed Articles. Where there are differences or conflicts with the Code and the laws of the country(ies) of manufacture, the higher standard shall prevail, subject to the following considerations. In countries where law or practice conflicts with these labor standards, Licensees agree to consult with governmental, human rights, labor and business organizations and to take effective actions as evaluated by CLC, the applicable Collegiate Institution(s) or their designee, and the applicable Licensee(s) to achieve the maximum possible compliance with each of these standards. Licensees further agree to refrain from any actions that would diminish the protections of these labor standards.
- B. Employment Standards: Licensees shall comply with the following standards:
1. Wages and Benefits: Licensees recognize that wages are essential to meeting employees’ basic needs. Licensees shall pay employees, as a floor, at least the minimum wage required by local law or the local prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.<sup>1</sup>
  2. Working Hours: Except in extraordinary business circumstances, hourly and/or quota-based wage 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>1</sup>CLC and the Collegiate Institutions will continue to monitor these issues and will promote studies that examine conditions and factors related to minimum and prevailing wages and employees’ basic needs.

3. Overtime Compensation: In addition to their compensation for regular hours of work, hourly and/or quota-based wage employees shall be compensated for overtime hours at such a 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.
4. Child Labor: Licensees shall not employ any person at an age younger than 15 (or 14, where, consistent with International Labor Organization practices for developing countries, the law of the country of manufacture allows such exception). Where the age for completing compulsory education is higher than the standard for the minimum age of employment stated above, the higher age for completing compulsory education shall apply to this section. Licensees agree to consult with governmental, human rights and nongovernmental organizations, and to take reasonable steps as evaluated by CLC, the applicable Collegiate Institution(s) or their designee, and the applicable Licensee(s) to minimize the negative impact on children released from employment as a result of implementation or enforcement of the Code.
5. Forced Labor: There shall not be any use of forced prison labor, indentured labor, bonded labor or other forced labor.
6. Health and Safety: Licensees 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 Licensee facilities.
7. 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.
8. Harassment or Abuse: Every employee shall be treated with dignity and respect. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. Licensees will not use or tolerate any form of corporal punishment.
9. Freedom of Association and Collective Bargaining: Licensees shall recognize and respect the right of employees to freedom of association and collective bargaining.

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Full Public Disclosure:

Each Licensee shall disclose to the Collegiate Institution or its designee the location (including factory name, contact name, address, phone number, e-mail address, products produced, and nature of business association) of each factory used in the production of all items which bear Licensed Indicia. Such information shall be updated upon change of any factory site location. The Collegiate Institution reserves the right to disclose this information to third parties, without restriction as to its further distribution.

## **FLA Labor Code Categories & Principles of Monitoring Schedule II**

### **Monitoring:**

Each Licensee shall comply with the monitoring requirements adopted by the Collegiate Institution including but not limited to participation in the Fair Labor Association (“FLA”) labor code monitoring program. Licensee shall participate in the FLA under one of the following four applicable categories:

Category A Licensees (companies with more than \$50 million in total annual revenue) are subject to the following criteria and requirements:

- Must adopt and require its applicable contractors and suppliers to adopt Labor Codes of Conduct that meet or exceed the FLA’s workplace code.
- Must convey the code and the company’s commitment to comply with the code to all officers, managers, and employees of its factories, including their own factories and the factories of all contractors and suppliers.
- Must disclose the location (including factory name, contact name, address, phone number, e-mail address, products produced, and nature of business association) of each factory used in the production of all products, including blank goods and finished goods, to CLC.
- Must have in place or implement a system of factory monitoring and compliance in accordance with the FLA’s monitoring principles and its monitoring guidance and compliance benchmarks. Either through internal company compliance programs or through accredited FLA monitors, all factories utilized in the production of items that bear collegiate indicia must be monitored on an annual basis. This includes all suppliers of blank goods and finished products.
- Must contribute to a revolving trust that allows the FLA to randomly select and monitor 5% of your company’s applicable facilities through an Independent External Monitoring program. The company’s contribution is determined by the average audit cost (\$4,000) x number of applicable facilities.
- Each year the company must submit 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 recurrence in future.
- Pay annual fees to the FLA based on a formula related to the companies’ annual revenues. Assessments range from \$5,000 to \$100,000.

Category B Licensees (companies with more than \$50 million in total annual revenue but do not wish to be Category A Licensees) are subject to the following criteria and requirements:

- These companies must meet the same requirements as Category A companies but they are only applicable to factories that produce or manufacture collegiate product, including suppliers of blank goods and finished goods.
- Pay annual fees to the FLA based on a formula related to the companies’ annual collegiate revenues. Assessments range from \$5,000 to \$5,000 + .00001 x revenue in excess of \$100 million.

Category C Licensees (companies with less than \$50 million in total annual revenue or less than \$5 million if manufacturing overseas) are subject to the following criteria and requirements:

- Must adopt and require its applicable contractors and suppliers to adopt Labor Codes of Conduct that meet or exceed the FLA's workplace code.
- Must convey the code and the company's commitment to comply with the code to all officers, managers, and employees of its factories, including their own factories and the factories of all contractors and suppliers.
- Must disclose the location (including factory name, contact name, address, phone number, e-mail address, products produced, and nature of business association) of each factory used in the production of all products, including blank goods and finished goods, to CLC.
- Must have in place or implement a system of factory monitoring and compliance in accordance with the FLA's monitoring principles and its monitoring guidance and compliance benchmarks. Either through internal company compliance programs or through accredited FLA monitors, all factories utilized in the production of items that bear collegiate indicia must be monitored on an annual basis. This includes all suppliers of blank goods and finished products.
- Pay annual fees to the FLA based on  $.0001 \times$  annual company revenues with a minimum fee of \$500.

Category D Licensees (companies with less than \$5 million in total annual revenue and all manufacturing facilities are located in the United States) are subject to the following criteria and requirements:

- Must adopt Labor Codes of Conduct that meet or exceed the FLA's workplace code.
- Must disclose the location (including factory name, contact name, address, phone number, e-mail address, products produced, and nature of business association) of each factory used in the production of all products, including blank goods and finished goods, to CLC.
- Pay annual fees to the FLA in the amount of \$100.

## FLA PRINCIPLES OF MONITORING

### I. OBLIGATIONS OF COMPANIES<sup>2</sup>

#### A. Establish Clear Standards

1. Establish and articulate clear, written workplace standards<sup>3</sup>
2. Formally convey those standards to Company factories as well as to licensees, contractors and suppliers
3. 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
4. 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.

1. Develop a questionnaire to verify and quantify compliance with the workplace standards
2. 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 practices, so as to enable Company monitors to be able to assess compliance with the standards

#### E. Conduct Periodic Visits and Audits.

1. 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

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2. 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.

3. 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.

2. 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

1. 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

2. 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

3. Assure that implementation of monitoring is consistent with applicable collective bargaining agreements

H. Establish Means of Remediation

1. 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

2. 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:

1. Gathering information from local knowledgeable sources
2. Conducting confidential interviews of factory workers
3. Interviewing factory management
4. Conducting a visual inspection of the factory
5. 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.