



UNDER ARMOUR, INC.

ASSESSMENT FOR ACCREDITATION

FLA BOARD OF DIRECTORS MEETING  
FEBRUARY 2019

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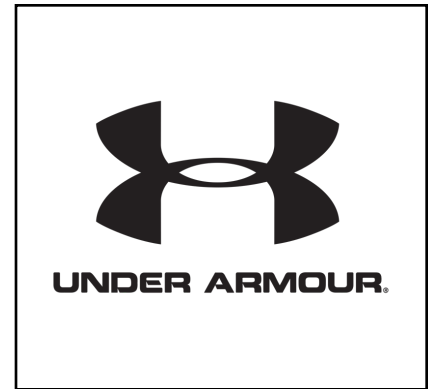
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UA's Light House Facility in Baltimore, MD, USA

## INTRODUCTION

On February 27<sup>th</sup>, 2019, the FLA Board of Directors approved Under Armour for accreditation; this report provides an assessment of the labor compliance program of Under Armour, Inc. (UA) and concludes with a recommendation to the FLA Board of Directors regarding the accreditation of the company's program. When joining the FLA, Participating Companies and Participating Suppliers commit to implementing the [FLA Workplace Code of Conduct](#), which ensures "respectful and ethical treatment of workers" and "promotes sustainable conditions through which workers earn fair wages in safe and healthy workplaces." The [Principles of Fair Labor and Responsible Sourcing / Production](#) ("Principles") serve as the bedrock upon which Participating Companies and Participating Suppliers are assessed towards an accreditation of their labor compliance program. Participating Companies and Participating Suppliers with accredited compliance programs have demonstrated that they have the systems and procedures in place needed to successfully uphold fair labor standards throughout their supply chains.



The FLA accreditation process involves staff conducting due diligence on the performance of a Participating Company or Participating Supplier during the implementation period. The FLA will assess the implementation of all Principles to ensure a social compliance program has been implemented to accommodate the supply chain expansion. This assessment involved testing a selection of data points or information sources to verify actions by the company. Sources of information may include:

- 1) Affiliate Headquarter Assessment: Assessments at headquarters and field offices to interview staff involved in compliance and in other functions, and to review documentation, processes, and database capabilities. In some cases, the offices of agents are visited as well. In countries where the FLA is not able to conduct in-person assessments, interviews are conducted by phone with company staff involved in compliance and in other functions.
- 2) FLA Factory-Level Assessments: Independent External Monitoring (IEM), Independent External Verification (IEV), and Sustainable Compliance Initiative (SCI) assessments are all sources of information on compliance issues and remediation efforts.
- 3) Annual Reports: Affiliate reports for each year of implementation provide data on the evolution of an affiliate's compliance program in line with FLA Principles.
- 4) FLA Third Party Complaints: Where relevant, an affiliate's involvement in, and responsiveness to, FLA Third Party Complaints provide additional insight into compliance programs and remediation strategies.
- 5) FLA Strategic Projects: Where relevant, an affiliate's participation in FLA Strategic Projects provides opportunities to learn about the affiliate's compliance strategies for detecting and remediating complex issues.
- 6) Observation: Wherever possible, FLA staff accompanied affiliate compliance staff on internal audits, training sessions or remediation visits.
- 7) Routine Interactions: Information on the affiliate's compliance program has also been collected through discussions and interactions with affiliate compliance staff in the course of each year's program. Exchanges with civil society organizations and other stakeholders interacting with the affiliate provide additional perspective

The FLA recognizes the assessment for accreditation of UA's social compliance program verifies UA contributes to upholding other internationally recognized benchmarks for human and labor rights.

## SECTION 1: UNDER ARMOUR COMPANY AFFILIATE OVERVIEW

<b>Name of Company</b>	Under Armour, Inc. (UA)	<b>Category</b>	Participating Company
<b>Location</b>	Baltimore, Maryland, USA	<b>Product/s</b>	Accessories, Apparel, Footwear, Digital Health and Fitness Communities
<b>Total Annual Revenue</b>	\$5.2 Billion USD	<b>Current Number of Applicable Facilities</b>	154
<b>FLA Affiliation Month/Year</b>	October 2014	<b>End of Implementation Period</b>	October 2017
<b>FLA Accreditation Lead/Support</b>	Lead: Jeff Sybertz (Associate, Social Compliance) Supports: Tat Udomritthiruj (Sr. Associate, Social Compliance); Courtney Moran (Associate, Social Compliance); Tiffany Rogers (Manager, Social Compliance)		
<b>Unique Company Characteristics</b>	<ol style="list-style-type: none"> <li>1) Under Armour, Inc. (UA) was founded in 1996 by Kevin Plank in Washington D.C. in his grandmother's basement; UA became a publicly traded company on NASDAQ in 2005.</li> <li>2) UA has exclusive field licenses with several major universities, including the University of Notre Dame, the University of California at Berkeley, the University of California at Los Angeles, Yale, Northwestern and the University of Wisconsin.</li> <li>3) UA has a strong emphasis on technology and innovation throughout the product lifecycle, from material and product development to consumer use.</li> </ol>		
<b>Summary of Key Strengths</b>	<ol style="list-style-type: none"> <li>1) Top management commitment, including through the Sustainability Leadership Council;</li> <li>2) Regular training on workplace standards, transparency, root cause analysis, and health &amp; safety for strategic suppliers;</li> <li>3) Grievance procedures ensure workers have access to and are aware of the multiple grievance channels they can access, including directly to UA through its confidential reporting channel;</li> <li>4) Comprehensive monitoring program that includes pre-assessment meetings with unions, worker representatives' structures, and/or civil society organizations; and</li> <li>5) Demonstrated civil society and union engagement in key sourcing regions, especially East Asia, Southeast Asia, and Central America.</li> </ol>		
<b>Summary of Key Suggestions for Strengthening</b>	<ol style="list-style-type: none"> <li>1) Continue to provide all headquarter and regional staff with training on the UA Supplier Code of Conduct and Workplace Standards;</li> <li>2) Continue to grow the Sustainability Team, especially regional staff in key sourcing regions;</li> <li>3) Continue to improve and expand implementation of and training on responsible purchasing practices;</li> <li>4) Continue to formalize and implement the evaluation of and incentives offered to suppliers for strong sustainability performance; and</li> <li>5) Continue to support suppliers to sustainably remediate labor violations in UA's supply chain.</li> </ol>		

Under Armour, Inc. (UA) was founded in 1996 by Kevin Plank with the goal of creating athletic apparel that stayed drier and lighter than traditional cotton. Plank used moisture-wicking synthetic fabrics, instead of cotton, which stayed dry and light regardless of sweat. The company experienced significant growth throughout the 2000s after developing relationships with Major League Baseball, the National Hockey League, and the University of Maryland. UA filed its initial public offering (IPO) on NASDAQ in 2005; and is publicly traded on the New York Stock Exchange. Currently, UA has exclusive on-field licenses with several major universities, including University of Notre Dame, the University of California at Berkeley, the University of California at Los Angeles, and the University of Wisconsin. Apparel and accessories make up about 80% of UA's overall revenue, while footwear makes up about 20%. UA also acquired three digital application companies, [Endomondo](#), [MapMyFitness](#) and [MyFitnessPal](#), in 2013 and 2015, respectively.

UA joined the FLA as a Category B Licensee in 2006 and affiliated as a Participating Company (PC) in October 2014, selecting a three-year implementation period. UA's Sustainability Team consists of seven full-time positions: currently, there are five headquarter staff and one regional team member; UA currently has an open regional manager position in Asia. The team is led by the Vice President and Managing Counsel, Sustainability and CSR (VP, Sustainability & CSR), who reports to the Executive Vice President, General Counsel & Corporate Secretary. UA sources from 154 factories; Vietnam, China, and Indonesia were the top sourcing countries at the time of the Accreditation process.

From the time of its original affiliation through the FLA's accreditation process, UA has made significant improvements to strengthen its monitoring and remediation program, while also implementing its Responsible Sourcing Policy and its Civil Society Organization (CSO) and Union Engagement strategy. UA's Responsible Sourcing Policy, formalized and finalized in October 2018, includes training, accountability mechanisms, dialogue with suppliers, performance measurement, and responsible exit procedures. UA's Sustainability Leadership Council has expanded in scope and size and includes senior management from key departments. The council is instrumental in supporting the implementation of UA's sustainability policies and strategies. UA requires its auditors to engage with CSOs and/or unions (where applicable) before every social compliance audit to learn more about the key issues affecting workers. UA has also worked closely with CSOs in the implementation of trainings, worker communication channels, and remediation plans in Bangladesh, China, Indonesia, Cambodia, and Central America.

UA has also implemented confidential reporting channels for workers to contact UA directly. The UA Supplier Code of Conduct includes an email address and hotline, and auditors are instructed to provide information on these reporting channels during worker interviews. Through the email address and hotline, UA has received grievances from workers and unions, including grievances regarding wrongful termination. These grievances have led to intensive and productive engagements with local CSOs and unions, and UA has worked with the unions and the factories to reinstate workers where appropriate. UA's assessment tool, modeled after the FLA SCI Foundational level tool, includes a Supplemental Management Action Plan that requires every factory to identify the person responsible for handling grievances and encourages the factory to implement multiple grievance channels. UA has been involved in two FLA Third Party Complaints: one in Peru, in 2015 and one in Nicaragua, in 2018. UA worked closely with all concerned parties and both complaints have been closed. UA has also proactively worked with the FLA on initiating two FLA Safeguard Independent Investigations: one in Nicaragua and one in Honduras. UA was also involved in a FLA Safeguard Independent Investigation at a facility owned by Pou Chen Group, a Participating Supplier in China. All three investigations have been closed and UA has worked closely with the FLA, the suppliers, the unions, and the third-party investigators throughout the investigation and remediation process and are discussed in greater detail in Section 3 below.



## SECTION 3: ANALYSIS OF UNDER ARMOUR LABOR COMPLIANCE PROGRAM FOR ACCREDITATION

Information used in this assessment originates from reports submitted by Under Armour and verified by the FLA through:

- 1) An assessment at Under Armour headquarters conducted by FLA staff in November 2018;
- 2) Information gathered in person, via phone interviews, and through email correspondence with Under Armour staff;
- 3) Documentation review of supporting evidence submitted by Under Armour;
- 4) Field observations of two factory-level assessments in Jordan and Vietnam;
- 5) Field observations of one training in Hong Kong;
- 6) Results of FLA Independent External Assessments at Under Armour applicable facilities conducted by FLA assessors and accredited service providers; and
- 7) Communication with stakeholders.

### PRINCIPLE 1: WORKPLACE STANDARDS<sup>1</sup>

#### **Workplace Standards & Top Management Commitment**

UA first established its code of conduct on or about 2006; in 2016, UA [aligned](#) its code of conduct with the [FLA Workplace Code of Conduct](#) and adopted the [FLA Compliance Benchmarks](#) to operationalize it. UA has publicized its commitment to the FLA and workplace standards on the UA [Sustainability](#) website. In addition, UA also adopts additional standards according to topic and region. For example, UA has drawn from the Institute for Human Rights and Business's [Dhaka Principles for Migration with Dignity](#) to augment its assessment tool to assess facilities with migrant workers. UA's comprehensive workplace standards are a strength of the social compliance program.

The UA Sustainability Leadership Council has members from business units including Sustainability, Supply Chain, Sourcing, Sourcing Services, Development, Materials, Innovation, Digital, Category Management, Licensing, and Supply Planning. The Council discusses social compliance and environmental issues at the factory-level. The UA Sustainability team partners with the Council to garner feedback on key policy and program elements and collaborates with its members on related deployments across departments and within business units. UA is also active in its stakeholder communication; the Sustainability Team conducted a materiality assessment, which included extensive internal engagement and welcomed feedback from external stakeholders on UA's sustainability reporting.

Since 2016, UA has increased its public transparency through the publication of its [factory list](#), aligned [Code of Conduct](#), and [Sustainability Report](#), which includes a comprehensive section on [Labor, Health & Safety](#). Currently, the factory list on the UA website accounts for 90% of UA's production volume and includes licensee factories that produce collegiate products. The 10% not disclosed include licensed products like eyewear, mouth guards, and thermoses. UA uses its Sustainability Report to identify challenges and share actions the company is taking to combat them. For example, UA cited "developing robust Human Rights Due Diligence systems" as a challenge, and identified as a solution "work with CSO and Metrics Consultants to develop and enhance our CSO engagement strategy and human rights risk assessment process." UA has also shared social compliance audit trends, including noncompliance of codes and laws in its Sustainability Report.

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<sup>1</sup> Principle 1: Company affiliate establishes and commits to clear standards.



### FLA POSTINGS ABOUT UA

The Fair Labor Association (FLA) is a multistakeholder initiative and a leader in bringing together socially responsible brands, non-governmental organizations, colleges and universities, and other stakeholders to protect the people who make the products in the global supply chain. Under Armour is proud to be a Participating Company affiliate to the FLA that works with it in support of these efforts.

FLA Postings About UA

FLA Workplace Monitoring Reports

Under Armour's [website](#) links to FLA information

One of UA's overarching Sustainability strategies is reflected in iterations of the Sustainability *North Star*, developed by the Vice President, Sustainability and the Sustainability team, with support from the Chief Supply Chain Officer, the SVP of Materials and Innovation, and the Sustainability Leadership Council. The *North Star* is a strategy that encompasses People, Product, and the Environment, and has been presented to, and supported by, UA top management. UA's social compliance work falls under the "People" section of the strategy. The *North Star* strategy on "People" is a plan for work that may range from 2017-2030 and includes FLA affiliation, accreditation, platform system implementation, the UA Human Rights Policy, and other related topics. The Chief Supply Chain Officer joined UA in 2017 and has been a strong advocate of the UA Sustainability program, especially in industry collaboration and public reporting. Top management commitment to the FLA, including UA representation on the FLA Board of Directors, the Board's Executive Committee, the Audit and Strategic Advisory Committee and the Monitoring Committee, is a strength of the UA program. The FLA encourages UA to continue to expand its public transparency by providing regular updates on the sustainability program.

## PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING<sup>2</sup>

### **Staff Responsibility for Implementing the Under Armour Sustainability & CSR Program**

The VP, Sustainability & CSR, manages the UA Sustainability Team and reports to the Executive Vice President (EVP), General Counsel & Corporate Secretary, who reports to the CEO. The VP, Sustainability & CSR, provides periodic Sustainability Program updates to the UA Board of Directors. Since 2014, the Sustainability Team has grown to seven full-time members: the VP, Sustainability & CSR, two managers and two analysts at its headquarters, and its Western Hemisphere Sustainability Manager, an independent contractor based in El Salvador. The Sustainability Team is backfilling an Asia-based Eastern Hemisphere Sustainability Manager role and is approved to add two analyst-level positions in 2019.

The FLA verified the job descriptions for the UA Sustainability team, including the VP, Sustainability & CSR, who is responsible for UA compliance with the FLA Workplace Code of Conduct and the Principles of Fair Labor & Responsible Sourcing, managing the UA audit cycle, engaging with internal and external stakeholders, and training the Sustainability team, suppliers, and all of UA on

<sup>2</sup> Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.



sustainability-related topics. The FLA has provided recommendations throughout UA's PC affiliation to increase the staffing of its Sustainability Team and recognizes that the team has grown, especially in the last two years. The FLA recommends UA continue to grow its Sustainability Team and establish teams in high-risk, high-production volume countries and sourcing offices to support suppliers with sustainable, timely remediation.

### **Under Armour Sustainability Team Training**

The UA Sustainability Team regularly participates in industry- and non-government organization (NGO)- led trainings on a range of topics related to social compliance, and tracks training details and quality in a staff training tracker. In 2018, training topics included modern slavery, forced labor, CSO engagement, United Nations (UN) Sustainable Development Goals (SDGs) integration into supply chains, and responsible recruitment. Following a CSO engagement training in 2018, the team mapped civil society stakeholders and updated its civil society engagement strategy, reflecting knowledge gained during the training. Additionally, the FLA verified the Sustainability Team on-boarding training includes the *North Star*, the UA Management Action Plan (MAP) creation process, and the internal audit review process.

The Western Hemisphere Sustainability Manager has years of experience engaging with unions in Central America, and as a long-time former FLA Manager, Western Hemisphere, is recognized by CSO and industry stakeholders as a valuable resource on collective bargaining, union engagement, and effective communication channels. He currently provides ad hoc training to relevant staff; the FLA recommends formalizing an annual UA Sustainability Team training on these topics, and Freedom of Association conditions in high-production volume countries. The FLA also recommends the Sustainability Team integrate the UA *North Star* strategy into the training selection process to drive performance and impact.

### **Third Party Auditor Training**

UA works mostly with FLA-accredited third-party service providers and provides all auditors periodic training on the UA audit tool and UA standards and methodology, to ensure auditor consistency. Following the second FLA audit field observation in 2017 in Vietnam, the FLA recommended UA provide guidance for auditors on documentation review and Health, Safety & Environment assessments. The Sustainability Team has since trained auditors on union and CSO engagement, walkthrough observation, root cause analysis, worker interview selection, and grievance mechanisms.

### **Training All UA Staff**

The VP, Sustainability & CSR, has trained 304 UA employees on the UA Supplier Code of Conduct by outlining its formation, importance, and any pertinent updates through case studies for each element. The FLA observed this training in Hong Kong in 2018 and verified the training covered all aspects of the UA Supplier Code of Conduct. Moving forward, this training will be delivered annually to all UA staff including through a web-based training system.

During 2018, 223 UA employees participated in live Teammate Safety Awareness Training (TSAT). This training is conducted annually and designed for UA staff who work closely with supplier facilities, such as the Sourcing Services Team. This training educates participants on key health & safety issues, so once trained, UA staff can recognize and efficiently report these issues if they arise. During the HQ assessment, the FLA verified a UA Quality Specialist and TSAT participant observed and reported HSE issues in a factory to the Sustainability Team, following the protocol set forth in the training, demonstrating training impact.

The Sustainability Team conducts a Pre-Training Awareness Survey and a Post-Training Impact Assessment for both the Code of Conduct and Teammate Safety Awareness Trainings to improve,

enhance, and modify training to increase effectiveness, measure knowledge gained, and garner participant feedback to inform and improve future trainings. The Sustainability team keeps training trackers to record feedback received and changes made, based on the feedback. The FLA verified the Sustainability Team provides regular updates to the Sustainability Leadership Council on the aggregate performance of trained staff.

### PRINCIPLE 3: SUPPLIER TRAINING<sup>3</sup>

#### **Supplier Commitment**

UA requires all facilities to sign a manufacturing agreement annually that includes a written commitment to uphold standards, remediate noncompliance, and facilitate periodic assessments, including those by the FLA. The FLA reviewed the manufacturing agreement, which includes the UA Supplier Code of Conduct and the FLA Workplace Code of Conduct, for the supplier to acknowledge. During the on-boarding process, UA requires suppliers commit to workplace standards and complete the UA Global Ethics and Compliance Questionnaire. This ensures strong partnership and commitment from the beginning of the supplier-buyer relationship.

#### **Conditioning Future Business on Suppliers' Improvement of Working Conditions**

UA works with suppliers on a continuous improvement model, working with suppliers to remediate findings to improve conditions for workers. To be approved for production, suppliers must also receive and pass a pre-sourcing audit. The FLA has verified communication from the Director of Manufacturing Excellence to a supplier in which the supplier was directed to take responsibility of the UA Supplier Code of Conduct and the FLA Workplace Code before production could be approved. Additionally, UA has a sustainability audit score as part of the vendor scorecard, further discussed under Principle 8. If a factory does not improve its working conditions after working with the Sustainability Team, UA implements Sew Out Procedures, which include the FLA's Responsible Retrenchment guidelines and are part of the company's responsible exit process. The FLA verified the procedures include guidelines on responsibilities and sufficient timelines for notification. To date, these procedures have only been utilized for supply chain consolidation; UA has not exited a facility due to poor working standards.

UA exits facilities as a last option and works with suppliers to improve working conditions before deciding to exit a supplier completely.

The FLA reviewed communication regarding UA's escalation process, due to verbal and sexual harassment in a facility in Nicaragua. In response, UA worked with the factory to train managers and supervisors. Remediation efforts also led to the resignation of two managers accused of harassment. UA continues to work with the supplier to ensure workplace standards are upheld.



The UA VP, Sustainability & CSR, with representatives from a Cambodian Supplier in 2018

<sup>3</sup> Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

### **Supplier Training**

UA directly trains its suppliers at annual supplier summits. The Sustainability Team provided training at the 2017 Summit. The FLA verified training topics include transparency, accountability, the management action plan (MAP) process, and root cause analysis. For the summit in 2018, UA conducted training on the Under Armour Sustainability Assessment Tool and Report (UASATR) and audit process, multi-stakeholder initiative (MSI) and audit collaboration, and data analysis and management. The 2018 summit included a Supplier Roundtable session for each product group's suppliers to present and discuss important topics. UA collected feedback at the supplier summit to inform and improve future supplier summits. UA also communicates and encourages suppliers to participate in topic-specific trainings. For example, the company encouraged all suppliers in China to attend trainings on social insurance and the Housing Provident Fund and ensured Cambodian and Indonesian suppliers abide by new minimum wage laws.

For materials suppliers, UA provides web-based Beyond Tier 1 Supplier Training and Education Programs. UA used a materiality risk assessment to target material suppliers and worked with a third party to jointly develop trainings on four topics in five languages: Fire Safety, PPE, Chemical Safety, and Risk Assessment. For each training, there is a pre-training awareness survey and post-training impact survey. 387 users have enrolled in the training program across 187 upstream suppliers. The FLA recognizes the support UA provides to material suppliers and encourages UA to continue training all upstream suppliers.

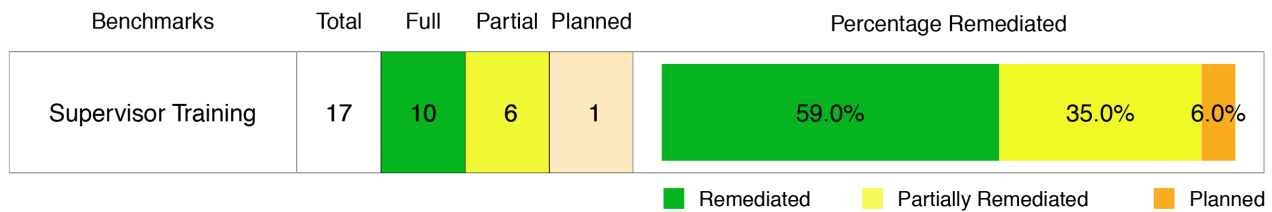
### **Workplace Standards Training & Accessibility for Workers**

The FLA verified that the UA Supplier Code of Conduct is translated into the following languages relevant to workers: Arabic, Bengali, Bosnian, Burmese, Cebuano, Chinese, English, Dutch, French, Georgian, German, Greek, Haitian Creole, Hebrew, Hindi, Hmong, Indonesian, Italian, Japanese, Khmer, Korean, Laotian, Malagasy, Malay, Nepali, Portuguese, Serbian, Singhalese, Slovenian, Spanish, Tagalog, Tamil, Thai, Turkish, Urdu, and Vietnamese. The FLA Audit Field Observations verified UA suppliers had posted the UA Supplier Code of Conduct in the relevant languages. UA sent all business partners a Code Awareness and Posting Guidance Document in 2017. To ensure all facilities have posted the Supplier Code of Conduct, UA notes this requirement in every Supplemental Management Action Plan (SMAP).

Audit questions and worker interviews verify the existence and effectiveness of worker training. For example, the FLA verified an instance when workers at a Brazil facility did not receive workplace standards training. UA worked with the factory to provide training to fully remediate the finding. UA reviewed evidence like attendance logs, photos from the trainings, and training content to verify completion of the action plan.

The UA audit process verifies the existence and effectiveness of supplier workplace standards training. If a facility does not provide workplace training, UA works with the facility to remediate this issue. During the FLA's audit field observations, auditors verified workers and supervisors received workplace standards training. However, in the FLA SCI and SCIV Assessments, aligned to the [FLA benchmarks](#), assessors flagged 17 instances when a facility did not provide supervisor training, or training needed to be improved. UA and its suppliers have remediated 59% of these violations, with 41% in the process of remediation, as noted in the following chart.

### FLA REMEDIATION PROGRESS CHART



The FLA recommends UA continue to work with its suppliers to ensure supervisors, workers, and managers receive effective workplace standards training. See Appendix B for further information on UA's SCI Assessment findings and remediation progress.

### PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS<sup>4</sup>

#### **Assessing for Functioning Grievance Mechanisms**

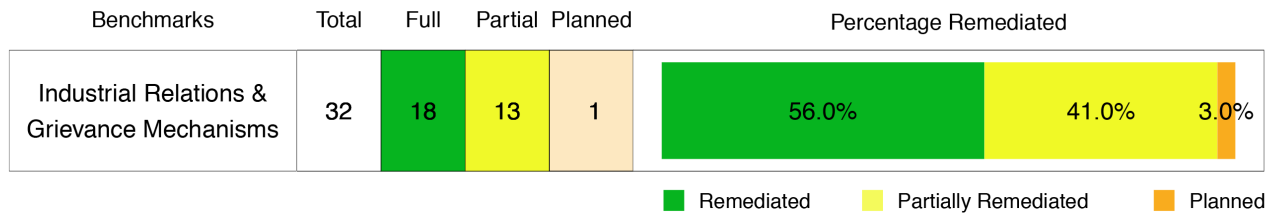
UA assesses grievance mechanisms in its factory assessment process through the UA audit tool. The assessment tool verifies the presence of a confidential reporting channel or grievance system, a nonretaliation policy, regular investigation of submitted grievances, responses provided by management, and communication on the grievance procedures. For every audit, UA includes a MAP on grievance systems, regardless of violations found. The MAP requires the factory to identify the person responsible for handling grievances and encourages the factory to have multiple channels for grievance mechanisms for the workers. Additionally, the assessor training materials include guidance on how to assess for functioning grievance mechanisms. For example, assessors must review grievance logs and verify through worker interviews that workers know how to use the channel. The assessor guidelines also include questions for worker interviews on grievance mechanisms. The FLA verified through audit field observations that assessors provide a card on the UA confidential reporting channel during each worker interview.

During the 2016 Audit Field Observation in Jordan, the FLA observers noted that auditors did not ask workers about grievance mechanisms, and UA did not yet have a confidential reporting channel. The FLA provided recommendations for improvement, and during the 2017 Audit Field Observation in Vietnam, the FLA observers noted the auditors reviewed the facility's multiple grievance channels, asked interviewed workers about orientation and refresher trainings on grievance mechanisms, and provided UA contact information to interviewed workers. The auditors also ensured interviewed workers were aware of the confidential reporting channel.

The following chart shows the number of SCI Assessment violations the FLA found related to Industrial Relations & Grievance Mechanisms from assessing UA facilities from 2014-2017. The FLA found 32 violations in nine different facilities, including if grievance mechanisms were not established, or required improvement. The FLA recognizes UA and its suppliers have remediated 56% of these findings and are in the process of remediating the remaining 44%. The FLA recommends UA continue to work with its suppliers to ensure supervisors, workers, and managers have access to effective grievance mechanisms.

<sup>4</sup> Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

### FLA REMEDIATION PROGRESS CHART



During an SCI Assessment in 2017 at a facility in Malaysia, the assessors found the supplier had not fully implemented the grievance procedures. For example, there was no suggestion box in the factory, interviews showed workers were unaware of the grievance mechanisms available, the factory had no person responsible for following up on grievances, and management had not recorded all reported grievances. After receiving the report, UA worked with factory management to ensure workers had multiple channels to submit grievances, were trained on how to use those channels, and management identified the parties responsible for recording and following up on grievances.

An SCI Assessment in 2016 in Bangladesh found a nonfunctioning grievance mechanism. UA worked with the supplier to identify the person responsible for managing the grievance mechanisms and ensure that workers are regularly trained on using the grievance mechanisms. Additionally, UA partnered the facility with [Labor Voices](#) for additional support.

#### **Confidential Reporting Channel to Under Armour Headquarters**

The *Reporting Misconduct* provision of the UA Supplier Code of Conduct includes contact information, either email ([suppliercode@underarmour.com](mailto:suppliercode@underarmour.com)) or an electronic hotline, for workers to submit grievances if they believe their rights have been violated or their factory's grievance process has not met their expectations. This hotline is monitored 24 hours a day, seven days a week and allows for anonymous reporting. Suppliers must provide reasonable support during an investigation or a potential violation. UA provided the FLA with procedures to address external grievances submitted through the confidential channel, which include defining the type of grievance submitted, the timeline for reviewing the grievance, assigning responsibility, developing a remediation plan, discussing with relevant sourcing agents and members of other UA departments, and reviewing and receiving updates until resolution. Additionally, the FLA verified UA auditors provided their contact information during worker interviews for the 2017 Audit Field Observation in Vietnam.

Under Armour has received multiple grievances from workers through its email channel and via auditors. The FLA reviewed these grievances and the internal communication to verify the internal grievance mechanism system functions properly. The Sustainability Team maintains a grievance tracker that includes the date, country, factory, vendor group, type of grievance, what brand is leading the investigation, a summary of actions taken, the remediation plan, and the overall status of the grievance. UA has received grievances from individual workers, unions, and external CSOs. The FLA recognizes the strength of UA's confidential reporting channel and the internal systems to respond to grievances.

#### **Ensuring Training for Workers & Providing Support on Grievance Mechanisms for Suppliers**

The UA audit process verifies supervisor and worker training on grievance mechanisms, and auditors ask questions about grievance mechanism training during the worker interviews. UA's audit procedures also require documents regarding worker-submitted grievances. UA auditors also require suppliers submit evidence that workers understand the training on grievances mechanisms. During the

2016 Audit Field Observation in Jordan and the 2017 Audit Field Observation in Vietnam, the FLA verified auditors reviewed training records and asked workers about grievance mechanism trainings.

The Sustainability Team trains suppliers on functioning grievance mechanisms during UA supplier summits. These summits are an opportunity for UA to disseminate best practices, encourage knowledge sharing and collaboration between suppliers, and allow for suppliers to provide feedback to UA. The FLA reviewed emails and training materials on the development of multiple grievance channels and the need for worker voice, among other topics. In Bangladesh, UA required suppliers to conduct a worker survey before they could be approved for production. UA partnered with an external service provider to survey around 250 workers across three factories in Bangladesh. The questions focused on recruitment, onboarding, compensation, fire safety, sanitation, harassment and abuse, and grievance mechanisms. This survey allowed UA to compare Bangladeshi factories against each other and provided insight into key issues. The FLA reviewed the survey questions and survey responses.

The FLA recognizes the strength of the UA audit tool to ensure suppliers train workers on the grievance mechanisms available to them. Additionally, the FLA recognizes the commitment UA has shown to training its suppliers on effective grievance mechanisms and eliciting feedback from workers in its factories.

## PRINCIPLE 5: MONITORING<sup>5</sup>

### **Pre-Sourcing Factory Assessments**

Before UA begins sourcing from a new sourcing country, the Sustainability Team conducts a country-level human rights due diligence analysis to assess human rights and related risk. When UA considers adding a new vendor or supplier, UA due diligence procedures require the facility to complete the UA Global Ethics and Compliance Questionnaire and receive a social compliance audit. UA selects the auditor and requires the auditor give the factory action plans; any findings must be remediated by the facility within two weeks of the audit. If the facility has substantially remediated, and has plans to remediate, all findings then the Sustainability Team may conditionally approve the facility for production, and the UA on-boarding process begins, and the Sustainability Team informs relevant business units.

Egregious audit findings can disqualify a prospective vendor from becoming a UA supplier, and in one



Workers at a UA production facility in Vietnam

instance UA did not approve a factory that failed the social compliance assessment. However, the company prefers to work with prospective vendors to remediate any issues, rather than end the on-boarding process outright. Factories that have only been in operation for three months undergo a two-part assessment process: first they receive a Health & Safety audit and must start remediating issues, then they must undergo a comprehensive UA audit within the next three months before being considered to be authorized for production. Before 2018, UA's Field Technical Services Group (FTSG) was

<sup>5</sup> Principle 5: Company affiliate conducts workplace standards compliance monitoring.

responsible for on-boarding new vendors and suppliers. Though this responsibility is now the purview of UA regional teams, the social compliance process remains the same.

### **Assessing Factory Conditions**

UA monitors all applicable facilities annually using their audit tool, UASATR, and further prioritizes additional assessments by risk. UA applicable facilities are direct suppliers and factories for licensees that assemble collegiate products. UA analyzes audit findings to inform its capacity-building strategy and target additional facility engagements. UA's audit tool is based on the FLA SCI Foundational Questionnaire and includes worker and management interviews, document review, health & safety review, visual inspection, and consultation with unions or worker representatives. UA auditors, whom are mostly FLA-accredited service providers, classify audit findings as new or repeated, as minor, major, or egregious, and the pervasiveness of the findings as isolated, frequent, or systemic.

UA is committed to collaborative work with other brands to improve conditions for workers. This may occur as individual brand collaborations or at an industry-level, like piloting use and consideration of the Fair Factories Clearinghouse (FFC) platform, other brand and Better Work audits. However, facility participation in other monitoring programs does not necessarily impact the frequency of UA audits; for example, factories in Better Work countries like Jordan and Haiti still receive UA audits. Similarly, if a UA facility receives a FLA SCI Assessment, the timing for that facility's annual UA audit may be delayed but the audit will not be eliminated if the audit is scheduled and conducted before UA receives notice of the FLA SCI. The FLA recommends UA continue to collaborate across the industry to address audit fatigue at the factory-level.

### **Under Armour Audit Observations**

The FLA has observed two UA audits, one in Jordan in 2016 and the other in Vietnam in 2017, to verify the inclusion of a factory walkthrough, document review, occupational health & safety review, worker interviews, management interviews, and union or worker representatives in the assessment process. During the 2016 Audit Field Observation, the FLA verified the inclusion of all elements, and recommended the auditor strengthen their evaluation of grievance mechanisms and incorporate the union representatives into the opening and closing meetings and worker interviews.

During the 2017 Audit Field Observation, the FLA observers noted the incorporation of all recommendations from the previous field observation. Following the observation, the FLA recommended UA provide guidance for auditors on documentation review and the Health, Safety & Environment assessment. The UA Sustainability Team has since provided further training to auditors on union and CSO engagement, walkthrough observation, root cause analysis, worker interview selection, and grievance mechanisms.

## **PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION<sup>6</sup>**

### **Under Armour Data Management**

The Sustainability Team collects facility contact information, historic audit data, root cause analysis, information about union or worker representative structures, labor disputes, incidents, and accidents. Data is collected and stored across the UA Management Action Plan (MAP) Database, the Special Investigations Tracker, and the Centralized Vendor List. UA piloted this Centralized Vendor List in March 2018 and it is accessible to the Sourcing, Supply Planning, FTSG, Business Performance Management, and Sustainability teams. The vendor scorecard incorporates sustainability metrics into a score for every UA facility. In the first quarter of 2019, UA expects to begin to deploy CR360, a factory audit platform system, to ultimately house social compliance data, including factory profile

<sup>6</sup> Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

updates, audit reports, improvement plans, and all FLA-required data points. The UA Sustainability Team, suppliers, audit service providers, and sourcing and production staff are expected to have access to the platform.

### **Analyzing Social Compliance & Supporting Data**

The Initial Management Action Plan (IMAP) Consolidator tool lists and aggregates every finding from every UA audit and classifies findings as “new” or “repeated.” UA analyzes trends and areas of risk according to recurrence, severity, pervasiveness, employment function, management function, country, and by product groups—accessories, footwear, apparel, and licensee. During the HQ Assessment, the FLA verified the Sustainability team uses this tool and analyzes the above trends to present to the Sustainability Leadership Council and inform audit decisions.

In 2018, UA determined that Health & Safety violations were the most prevalent findings in both UA and FLA audits. Additionally, their country-level data analysis showed all factories in China had findings related to social insurance, and several factories in Indonesia had issues related to Freedom of Association. In response, in 2018 the Sustainability Team collaborated with [TAOS Network](#), a service provider in China, to facilitate a training for 39 UA suppliers in China on the importance of social insurance and the Housing Provident Fund. The FLA verified these capacity-building trainings during a call with the TAOS Network in January 2019. A FLA SCI in China in 2015 found that an UA facility was not in compliance with social insurance and Housing Provident Fund contributions. UA and the factory have worked to fully comply with social insurance contributions and are in the process of remediating findings related to the Housing Provident Fund.

In Indonesia, UA partnered with a local capacity-building organization, PT Lidi, to train suppliers on the importance of Freedom of Association. The FLA recognizes that UA has continued to utilize its social compliance data to inform improvements in its social compliance program. The FLA recommends UA use its data analysis to set targets and measure improvement and impact over time.

## **PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION<sup>7</sup>**

### **Tracking Remediation at the Factory Level**

UA provides a Management Action Plans (MAP) Response Guidance document to all suppliers, including goals, expectations, information about the remediation process, MAP response Standard Operating Procedures (SOPs), and Frequently Asked Questions. Until 2018, auditors generated an Initial Management Action Plan (IMAP), and sent to the factory and UA. The factory was responsible for addressing the IMAP and UA provided the factory with additional MAP guidance. Once the factory filled out the IMAP response and MAP response, the factory uploaded the MAP for UA Sustainability team review. In April 2018, UA updated the UASATR so auditors generate a completed MAP at the end of each audit. The rest of the process has remained the same. During the MAP process, the factory, vendor group, and UA are in periodic communication.

To further guide internal staff and auditors on effective remediation, UA has an internal Factory Engagement and Remediation SOP used by auditors and internal staff. The SOP calls for a collaborative approach throughout the remediation process and provides guidance on scheduling the next annual audit, or next steps to approve the facility for production, as applicable. The FLA reviewed MAP documents and verified collaboration between UA and suppliers on remediation and MAP creation. The MAP Response Guidance document does not include language on union engagement during remediation; however, the FLA verified examples of collaboration between UA and unions

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<sup>7</sup> Principle 7: Company affiliate works with suppliers to remediate in a timely and preventative manner.



during the remediation process. The FLA recommends UA formally include consultation with union and/or worker representative structures in the remediation process to the MAP Response Guidance.

### **Root Cause Analysis**

UA has adopted the SCI Assessment methodology and integrated root cause analysis into its monitoring system. All findings from UA audits have a designated immediate action, sustainable improvement action, and root cause, and the sustainable improvement actions are required as part of all remediation efforts. The FLA verified UA's audit recording system. UA keeps record of the repeated status of the finding and pervasiveness of violations. During closing meetings, the auditor discusses root causes with factory management and includes root causes in the MAP document. UA staff are responsible for reviewing the root causes; if adequate detail is not provided, UA staff contacts the auditor for further information.

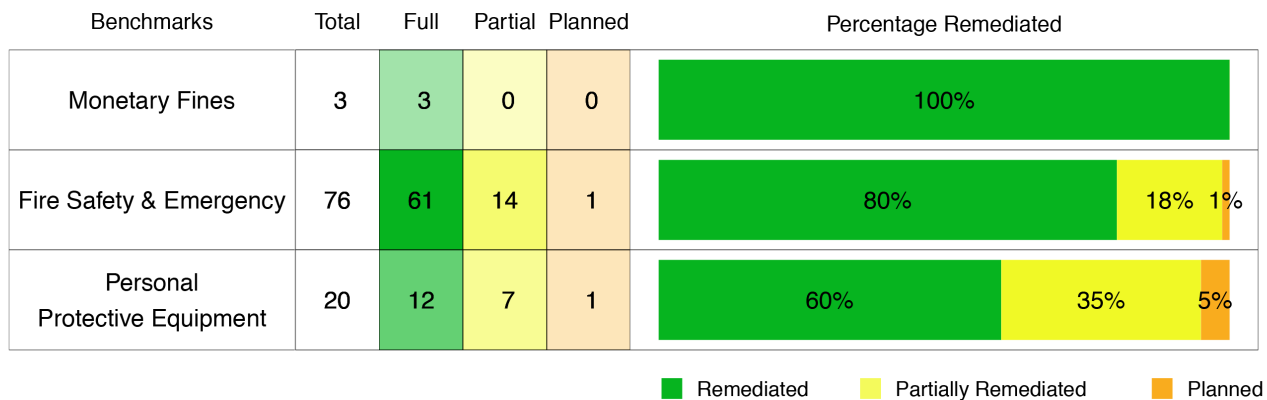
In 2015, UA provided root cause analysis training to all auditors. The training was recorded and has been provided to all new auditors since that time, and UA continues to develop refresher training. To ensure effective root cause analysis, UA works actively with external parties to support suppliers when necessary. The FLA recognizes UA's efforts to remediate noncompliance with the support of root cause analysis. The FLA verified an example from a factory in Indonesia where the root cause of a finding was the lack of basic training at the factory. As noted under Principle 6, UA collaborated with PT Lidi, a service provider based in Indonesia, to provide training to the facility and knowledge on unions and worker representative groups.

### **Effective Remediation & Brand Collaboration**

Each UA remediation plan requires evidence for completion. Additionally, auditors are provided with previous audits reports before they conduct new audits to ensure the factory remediates previous findings. The UA MAP tracker that includes MAP status, UA Teammate responsible for MAP communication, and completion dates. UA conducts data analysis on all remediation plans to review new, repeated, open, and closed findings. The data analysis is used to report to upper management and guide the program. UA also collaborates with other brands and FLA Participating Companies to implement effective remediation, as verified through examples of FLA Third Party Complaints, Safeguard Investigations, and documented corrective actions plans developed through brand collaboration. Additionally, since 2017, UA has been working to increase formal collaboration with a group of sportswear, fashion, and retail brands along with their top management in operations, sourcing, and/or production on how the companies can work more effectively together to improve workers' rights in their collective supply chains.

The FLA also verified through the SCI and SCIV Assessments at UA facilities the following examples of effective remediation, as shown in the chart below.

### FLA REMEDIATION PROGRESS CHART



**Monetary Fines:** A 2017 SCI Assessment in Cambodia found the factory deducted money from workers’ performance allowance if the worker was more than ten minutes late to work. Additionally, if the worker took sick leave, they were downgraded to a lower position at work. The same factory was found to charge workers to replace lost or damaged ID cards. UA worked with the factory to revise its policies and procedures, including removing sick leave as a reason for downgrading a worker and separating the incentive bonus from the basic wage. The factory now grants three occasions of tardiness before management takes disciplinary action and stopped charging workers to replace lost or damaged cards. UA verified implementation the action plans through document review.

**Fire Safety & Emergency:** UA provides strong support to facilities that have fire safety and emergency violations UA participated in the [FLA Fire Safety Initiative](#), and has since used the standards and expertise from the trainings to support facilities in remediation. An SCI Assessment in 2015 in Vietnam found the factory had not conducted an external third-party fire risk assessment; a fire pump was nonfunctioning, there were missing emergency lights, and the factory had yet to install sprinklers. UA worked with the facility on an action plan to identify the responsible factory management, ensure timely repair of fire equipment, implement a proper maintenance regime, maintain document maintenance logs and equipment records, and comply with applicable local fire regulations on the installation of fire pumps and sprinkler systems. UA verified implementation of the action plans through document review.

**Personal Protective Equipment:** A 2016 SCI Assessment in Bangladesh found that workers were not wearing lifting belts. In addition to the immediate action of requiring the factory to provide lifting belts, UA worked with the factory on an action plan to provide all workers with initial and periodic training on lifting techniques. UA ensured that the training program promoted an ergonomic approach: consider alternative ways to accomplish the same lifting, assess the weight of object before lifting, ask for assistance, determine the best way to hold or maneuver the object, and minimize the amount of twisting and bending, along with other recommendations. These two examples show how UA and its suppliers implement robust action plans and the strength of UA’s commitment to remediating noncompliance.

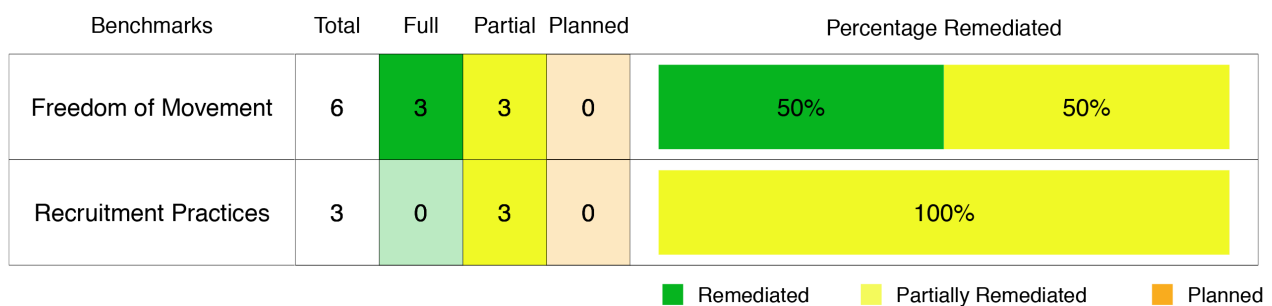
**Responsible Recruitment Commitment**

In July 2018, UA engaged with the FLA and American Apparel & Footwear Association (AAFA) to encourage both organizations to spearhead a [commitment to responsible recruitment](#) of foreign migrant workers. The commitment was formalized in October 2018 and calls for apparel and footwear brands and suppliers to create conditions where no worker pays for their job, workers retain control of their travel documents and have full freedom of movement, and workers are informed of basic terms

of their employment. As of January 2019, 127 brands and suppliers are signatories of this commitment, making it one of the largest formal commitments in the apparel and footwear industry to improve working conditions. To uphold this commitment, UA has implemented a guidance document for suppliers on UA's standards for migrant workers and dormitory conditions.

A 2017 SCI Assessment in Malaysia found the factory was holding some of the migrant workers' passports. Additionally, migrant workers reported they had to pay recruitment fees of varying amounts to work at the factory. UA has worked with the factory to install lockers for workers to safely keep their passports and verified the locker system via document review. Additionally, the factory has implemented a zero-fee policy and is in the planning stage of reimbursing workers of their recruitment fees. Additionally, based on recommendations from UA, the factory has partnered with Verité to improve its practices regarding migrant workers. Verité is supporting the enhancement of management systems and root cause analysis for areas of concern regarding migrant workers, including the risk identification processes on recruitment, hiring, selection of sending country agents, and monitoring sending country agents, and consultation on the company's ongoing corrective action plans. See Appendix B for more information on the remediation of findings from UA SCI Assessments.

### FLA REMEDIATION PROGRESS CHART



In 2018, UA and Nike, an accredited Participating Company, notified the FLA about engagement with an investigative non-profit organization that had provided a report related to working conditions at an apparel manufacturer in Malaysia, a supplier for both companies. This report included recruitment fee and other workplace violations at the facility. Prior to receiving the report, UA and Nike had already been working, since 2017, to remediate the violations surfaced during their respective audits around the payment of recruitment fees and working conditions. Upon receiving the report, UA and Nike had verified the supplier had already started a payout process to reimburse foreign migrant workers for the recruitment fees. The supplier provided one payout in 2018 and is scheduled to make another payment in February 2019 to reimburse the workers for the fees they had paid. To determine the reimbursement amount, the supplier and [Verité](#), a service provider with expertise in assessing migrant and contract workers' issues, including recruitment fees, interviewed a significant sample of foreign migrant workers employed at the facility to understand the amount of fees they reported to have paid. UA, Nike, and the suppliers' other customers then worked with the supplier to enhance its systems for recruitment, hiring, and employment of workers and enhance the system to provide payouts to the workers in 2018 and in 2019. Both payouts averaged \$350-\$400 per worker, with about 950 workers receiving both payouts in 2018 and 2019.

The FLA notes that this supplier had also been repaying recruitment fees to its labor contractors for over 10 years. An audit by Nike in 2017 found that the labor contractors had been charging the supplier and the workers recruitment fees and collecting double payments. The supplier continues to work with Verité to improve its accountability mechanisms with its labor contractors to ensure that labor contractors do not charge migrant workers recruitment fees, and to include an escalation

process if this violation is found. The FLA recognizes the coordinated actions between UA, Nike, other brands, and the supplier to remediate the labor violations and improve recruiting and hiring processes and systems, and working and living conditions, for foreign migrant laborers.

## PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES<sup>8</sup>

### **Under Armour's Responsible Sourcing Policy and Procedures**

Prior to finalizing its Responsible Sourcing Policy, the UA Sustainability Team developed a Responsible Purchasing Practices strategy, including a focus on the FLA Principle 8 benchmarks, and presented it to the UA Sustainability Leadership Council in June 2018. The strategy included a review of potential risks and negative impacts on factory conditions UA's purchasing practices could cause, such as excessive overtime and unauthorized subcontracting. UA's Sustainability Team coordinated with relevant sourcing, planning, production, and development staff to finalize its Responsible Sourcing Policy in October 2018. The FLA verified the policy includes the following pillars: scope, the complexities of UA's supply chain, financial and contractual terms, balanced planning, accountability, training, communication, and review. UA also has procedures to standardize the processes for Supply and Demand Planning, level loading, forecasting, and a strategy for mills and supplier consolidation.

UA established an Exceptional Circumstances for Overtime Work SOP, which includes the standard to not exceed 60 working hours per week and a request that suppliers be transparent with UA when working hours will exceed 60 hours. This SOP includes guidance on the UA Supplier Code standard for hours of work and requests information on the period when 60 hours has been exceeded, root causes for the delay, preventive measures identified, and how many workers and departments were affected.

The FLA reviewed and verified UA's supply planning procedures and workflows, including a Production and Logistics Manual, a Capacity Management Workflow, and a Sourcing Allocation Workflow. According to the Production and Logistics Manual, purchase orders (POs) are placed in UA's Supply Network Collaboration web-based application. POs are issued monthly and suppliers, the UA Production Coordinator, or the UA Supply Planner can amend the POs. The vendor and UA agree to lead time during the development phase. This manual also includes financial expectations on air freight and freight on-board (FOB). Suppliers are required to provide a Work-In-Progress (WIP) report every Thursday and reasons for any delays. Finally, UA has a Supply Planning SOP for Factory-Level Loading for footwear, apparel, and accessories. This SOP includes a workflow to determine if level loading requires approval, how to identify if a vendor is over capacity, and how to execute transfers to other facilities if a supplier is over capacity. The FLA notes that at the time of the HQ Assessment in November 2018, UA's level-loading process was manually adjusted based on capacity.

The FLA recognizes the work UA has done to create and implement its Responsible Sourcing Policy, but has a few recommendations. First, the FLA recommends UA reference financial chargebacks or penalties in the section on Financial and Contractual Terms of its Responsible Sourcing Policy. Second, the FLA recommends UA review the costing and planning SOPs to ensure alignment with UA's Responsible Sourcing Policy. Third, the FLA recommends UA review how the Overtime SOP should be more widely implemented as a regular practice so UA receives notification from its suppliers regularly if they exceed 60 weekly working hours or 12 weekly overtime hours. The FLA recommends that the SOP reference local standards that may be stricter than the 12 hours of weekly overtime, such as China's standard on 36 hours of overtime per month. The FLA recognizes UA's development and

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<sup>8</sup> Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.

commitment to responsible purchasing practices and encourages UA to continue to improve its implementation to mitigate negative impacts at the factory-level.

### **Training Relevant Business Staff on Responsible Purchasing Practices**

Prior to and throughout the development of the Responsible Sourcing Policy, the UA Sustainability Team engaged with key sourcing, production, and supply chain staff and presented the policy to relevant senior leadership. Additionally, the UA Sustainability training materials highlight Responsible Purchasing Practices as a key focus area. In December 2018, during a sourcing summit at UA's Panama field office, UA trained production, FTSG, Quality Assurance, and Sourcing staff on the Responsible Sourcing Policy. The training included background on Responsible Purchasing Practices Initiatives, FLA's Principle 8 Benchmarks, UA's own Responsible Sourcing Policy, negotiation and communication with suppliers, and various interactive case studies. The VP, Sustainability & CSR, provided this same training to members of the Hong Kong, Guangzhou, Taiwan, Vietnam, and Indonesia regional offices at the Hong Kong office in January 2019.

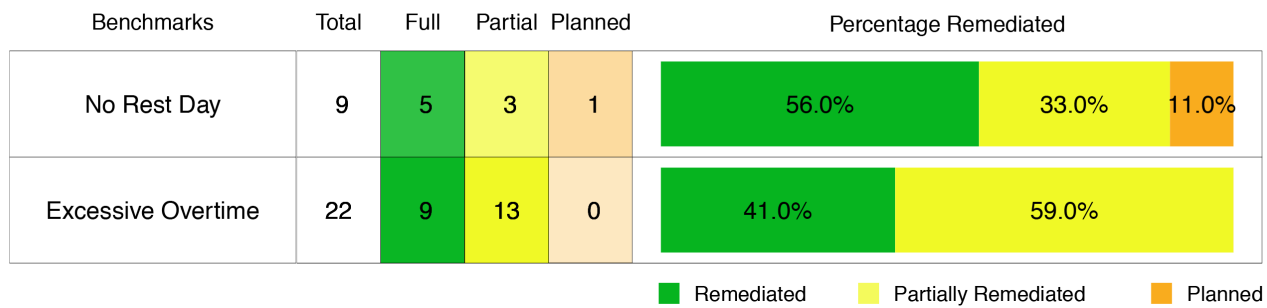
The UA Sustainability team has not yet trained all relevant business staff on the Responsible Sourcing Policy. However, the team has provided the FLA a detailed plan of how the team will train relevant business staff in 2019. UA plans to provide in-person training to other regional offices and key departments based at the Baltimore headquarters. The FLA verified these training materials and that the UA team is soliciting feedback from training participants and using that feedback to improve future trainings. The FLA recommends UA continue to execute this training plan and develop refresher trainings on a regular basis.

### **Holding the Relevant Business Staff Accountable to Purchase Responsibly**

UA has drafted job descriptions and performance review points for relevant staff responsible for implementing UA's Responsible Sourcing Policy. This includes the Sustainability Leader, Sustainability Manager/Analyst, Supply Chain Leader, Supply Planner, Regional Supply Chain Representative, and Costing Analyst. In the past year, UA has worked to internally implement better practices seeking to ensure that development and decisions are aligned better for on-time PO placement. The FLA interviewed UA's Chief Supply Chain Officer, who discussed the emphasis on "dates and gates," ensuring deadlines are being upheld, and material or product development be complete before POs are finalized and placed. The concept of "pencils down" mitigates the practice of trying to rush development and providing or accepting late or delayed orders. Through the multiple interviews FLA staff conducted during the HQ Assessment, with 15 UA members of senior management related to purchasing practices teams and departments, UA staff emphasized the importance of improving their internal practices to uphold deadlines and provide suppliers with the needed POs, tech packs, forecasts, and plans on a timely basis.

The FLA considers the labor violations found during the SCI Assessments as indicators of the implementation of responsible purchasing practices. Violations related to hours of work are particularly relevant, as they can be related to product orders and production planning from buyers. The following chart shows violations of excessive overtime and no rest day for workers from SCI and SCIV Assessments.

### FLA REMEDIATION PROGRESS CHART



The FLA recognizes UA and its suppliers have remediated 56% of findings related to no rest day and are in the process of remediating the remaining 44%. In terms of excessive overtime, UA has remediated 41% of the findings related to excessive overtime and is in the process of remediating the remaining 59%. The FLA recognizes that UA has been working with its suppliers for whom it frequently is one of a number of customers for the suppliers to reduce excessive overtime and understands the need for long-term, sustainable remediation. In a 2017 SCI Assessment in the Dominican Republic, the FLA identified a labor violation in which six workers did not receive a day of rest after six consecutive days of work. UA worked with the facility to reform the policy and procedures on working hours. Additionally, UA recommended the facility retroactively provide workers with the correct number of rest days.

The FLA recommends UA continue to improve its accountability mechanisms to ensure all relevant staff uphold the Responsible Sourcing Policy. These accountability mechanisms should address calendar adherence, forecast accuracy, on-time PO placement, tech pack accuracy, and on-time quality approvals. Additionally, the FLA recommends UA continue to integrate labor violations and remediation actions impacted by purchasing practices into how UA incentivizes and reviews its suppliers.

#### **Dialogue with Relevant Business Staff & Suppliers to Implement Responsible Purchasing Practices**

UA communicates regularly with its suppliers to review production challenges and identify solutions to mitigate negative impacts. The FLA reviewed examples of communication including extending shipping windows, staggering deliveries, and shifting PO placement to mitigate excessive overtime or retrenchment. Additionally, UA has annual Supplier Summits in which suppliers are invited to receive updates from UA on UA's manufacturing, value chain, innovation and development, logistics, market execution, and sustainability strategies, goals, and program implementation. The UA Sourcing Departments maintain a newsletter for vendors including updates from UA. The FLA reviewed this newsletter and verified the inclusion of a write-up about January 2018 Supplier Summit.

**Apparel & Accessories:** UA reviews forecast accuracy every month and reviews the pre-buy/post-buy forecasts with the suppliers to ensure negative impacts on the supplier—and the workers—are addressed. The costing process has become more transparent, with suppliers now working with the regional apparel teams to fill costing forms on materials, overhead, profit, and loss percentages. Among other initiatives, UA works to mitigate its negative environmental impact by assessing manufacturing partner work on environmental sustainability, developing more sustainable new materials, and seeking greener chemistry. Additionally, the Materials Department has worked with the Sustainability Department in mapping its upstream suppliers and has provided these suppliers with



Responsible Sourcing Training for UA Hong Kong Staff

training on health and safety. Finally, UA also reviews the impacts of trade agreements when making sourcing and costing decisions. For example, when considering the Haiti Economic Lift Program (HELP), UA reviewed the product costing impacts of the difference of the minimum wage and the productivity wage for workers and decided to account for the higher of the two wages when pricing its products sourced from Haiti.

**Footwear:** For planning and sourcing, UA strives to communicate a plan to vendors on where products will be allocated based on capability and capacity. Footwear communicates with its vendors monthly to align capacity expectations and balance peak production seasons. The Footwear

Team has also moved to a more transparent costing process in which UA must nominate and approve the key materials suppliers before the costs are negotiated between UA and the vendor. The Footwear Development and Manufacturing staff also have quarterly reviews with footwear vendors to review their action plans related to product development and production. Strategic footwear suppliers receive a documented strategic plan that includes capacity loading and pull-forward requests, along with the supplier's CSR Audit results and community engagement. The FLA verified UA maintains a calendar with various reviews and deadlines that need to take place to execute seasonal plans. These reviews and deadlines include demand reviews, channel reviews, regional forecast passes, scorecard deadlines, and PO confirmations. UA uses various tools to coordinate internally with its supplier level-loading adjustments. UA provides a monthly capacity and forecast update to suppliers, a spreadsheet to support in product allocation internally, and a spreadsheet to allocate overall business for suppliers, informed by sourcing strategies and suppliers.

UA has also started to participate in [Better Buying](#), a supplier rating initiative that collects anonymous supplier responses on brand purchasing practices. Suppliers for 90% of UA's production volume were invited to participate in the survey and once the responses are analyzed by Better Buying, UA will receive a report that includes ratings on various purchasing practices aspects and some examples of supplier feedback from the survey.

The FLA recognizes the improvements that UA has made in communicating with suppliers to implement responsible purchasing practices. However, the FLA recommends UA continue to implement responsible purchasing systems that drive systematic improvements in implementing responsible purchasing practices to mitigate negative impacts on workers and suppliers. Additionally,

the FLA encourages UA to utilize the supplier feedback provided by Better Buying to inform improvements to responsible purchasing practices.

### **Incentivizing Suppliers to Improve Conditions for Workers**

UA has a comprehensive vendor scorecard that measures performance of on-time and complete delivery and execution, accuracy of confirming and production POs, target margin completion, development, and sustainability. This scorecard was developed throughout 2017 and was implemented in 2018. The scorecard can impact sourcing decisions based on vendor ratings. Currently, UA's main incentive for vendors who perform well against the vendor scorecard is continued or increased business. Through interviews conducted at the HQ Assessment, the FLA verified that the scorecard has been implemented; however, the FLA suggests ensuring the scorecard adequately informs sourcing decisions and exploring how sustainability and responsible purchasing practices could further be integrated into the overall scorecard.

The FLA also identified areas for improvement in how UA ensures the scorecard impacts the incentives available for suppliers. In February 2019, UA's Chief Supply Chain Officer approved a document that formally defined a variety of incentives that could be offered to suppliers that perform well under UA's scorecard methodology. This document is being socialized and reviewed by Sourcing Leadership. The FLA reviewed this document and verified that the UA team is exploring these incentives. Once finalized, the FLA recommends UA continue to formalize and implement the evaluation of and incentives offered to suppliers for strong sustainability performance. Finally, as a best practice, the FLA recommends UA use the supplier performance reflected in the vendor scorecard to review how it relates to the performance of the relevant UA business units and departments in implementing responsible purchasing practices.

### **Fair Compensation for Workers**

UA has piloted the FLA's Compensation Data Tool at two factories in El Salvador and is currently working with its assessors and suppliers in China, Bangladesh, Cambodia, Indonesia, Vietnam, Honduras, El Salvador, the Dominican Republic, and Mexico to use the tool in 2019. The FLA recognizes UA for piloting the Fair Compensation Data Tool to strive to address fair compensation and living wages for workers.

To ensure workers are receiving fair compensation, UA's Sustainability Program identifies where minimum wage, fringe benefits, and overtime payment calculation violations have occurred and work to support suppliers in remediation. The following chart shows violations the FLA identified through SCI and SCIV Assessments from 2014 to 2017. The FLA assessors found three minimum wage violations; UA has reported all these findings remediated. The FLA assessors found twelve fringe benefit violations; UA has remediated 75% of these findings and is in the process of remediating the remaining 25%.



### FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Minimum Wage	3	3	0	0	100%
Fringe Benefits	12	8	4	0	67% 33%
Overtime Payment Calculations	6	4	2	0	67% 33%
Accurate Wage Records, Calculation, & Payment	4	1	3	0	25% 75%

■ Remediated    
 ■ Partially Remediated    
 ■ Planned

A 2017 SCI at a factory in Cambodia found that subcontracted security guards were not paid the minimum wage or receiving legal benefits, such as social security or annual leave. UA worked with the factory to revise the contract with the subcontractor to ensure the security guards receive at least minimum wage and receive all legal benefits. UA has verified the updated contract as well as the training regarding benefits provided to security guards.

To ensure progress is made towards fair compensation for workers, the FLA recommends UA continue to work with its suppliers to remediate labor violations on minimum wage, fringe benefits, and overtime payment calculations. The FLA recognizes UA for remediating 100% of the minimum wage findings and 75% of the fringe benefits findings found during SCI assessments.

Additionally, the FLA recommends UA ensure its costing practices and negotiations ensure that workers are receiving their legally owed benefits and wages. With the FLA's Compensation Data Collection Toolkit, the FLA recommends UA continue to benchmark the compensation of workers against internationally-recognized living wage benchmarks and use this data to inform a stronger Fair Compensation Strategy.

### PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY<sup>9</sup>

#### **Civil Society Engagement Strategy & Mapping**

UA developed a comprehensive civil society outreach and engagement strategy focused on engagement in their key sourcing areas, including the Americas, East and South East Asia—China and Vietnam—and the Middle East. The CSO engagement strategy notes the importance of engaging with civil society to better understand the labor conditions in areas where they operate, UA's current approach to engagement, and UA's plans for engagement. This strategy also identifies the ways in which UA will systematically engage CSOs as part of their routine social compliance practices: pre-assessment consultation, violation/complaint resolution, and strategic partnerships and projects. Examples for each of these instances are listed below. The FLA's Director of CSO Engagement has reviewed this strategy and provided further feedback on areas to consider when engaging with civil

<sup>9</sup> Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

society. Finally, UA recently hired an Operations, Reporting and Engagement Manager to coordinate outreach and consultation with civil society and other stakeholders.

UA has mapped CSOs and labor unions in key sourcing countries. This mapping includes contact information, a description of the CSO, the nature and the frequency of any interaction, and with which factories the CSO/union might interact. The Operations, Reporting and Engagement Manager is responsible for periodic review of the document to reflect new CSO consultation opportunities and engagements. Through this mapping process, the FLA verified UA identified existing networks and engaged with CSOs focused on capacity building, training, remediation, worker communication, and participation to better understand local labor issues impacting the company's supplier base. On an international and national level, UA has also identified and established relationships with civil society organizations to act as a local resource for workers at the factory level.

UA auditors must meet with local CSOs and/or unions prior to each audit. While the FLA was not able to observe this pre-assessment meeting during the 2017 Vietnam Field Observation, the report noted the auditor met with the local union and the local Chamber of Commerce to discuss labor law amendments, labor contracts, wages, hours of work, labor strikes, grievances, and health & safety issues. The FLA reviewed the pre-assessment CSO consultation reports for assessments in China, the Dominican Republic, and Pakistan. These reports outline the general country issues, the topics covered during the meeting, the role that local NGOs play in the labor market, any recent labor law changes, any specific grievances against the factory, and any specific labor or health & safety issues related to the factory. These reports addressed key local issues, including social insurance and the housing provident fund in China, female worker rights, and the payment of at least the minimum wage in Pakistan.

#### **East Asia Civil Society Engagement**

**China:** UA worked with [TAOS](#) and a University FLA Member and UA licensor to create separate worker committees at a headwear supplier that focus on worker participation and worker feedback. This pilot program focused on creating a Worker Feedback Participation Committee (WFC) and a Worker Participation Management Committee (WPC) to facilitate dialogue between workers and managers/supervisors. Along with creating these committees, UA and TAOS worked with the factory to develop management systems, policies, procedures, and trainings for workers, managers, and supervisors on worker feedback and dialogue. As a result of this engagement, the worker participation and representation system has been enhanced and the management's capacity to implement a sustainable worker participation program at the factory has increased.

The FLA verified UA's engagement with TAOS through an interview in which the founder of the organization confirmed that UA approached TAOS and worked closely with them throughout the process of creating the committees and training workers, managers, and supervisors. The factory has now taken over the ownership of this pilot program. At the same time, UA also engaged with TAOS to provide trainings to UA suppliers on Chinese Social Insurance and the Chinese Housing Provident Fund. Thirty-Nine UA suppliers have taken this training on the legal requirements and the FLA's requirements and benchmarks. During a conversation with TAOS, the FLA learned that these suppliers were keen to come into compliance with these laws and wanted to learn the step-by-step processes needed to do so.

#### **South Asia Civil Society Engagement**

**Bangladesh:** UA requires suppliers to conduct worker surveys before starting production with UA. UA's suppliers partner with Labor Voices to deploy these surveys. Labor Voices surveyed about 250 workers across three factories. The questions focused on recruitment, onboarding, compensation, fire safety, sanitation, harassment/abuse, and grievance mechanisms. This tool has allowed UA to

compare Bangladesh factories against each other and directly provide insight to suppliers into key issues.

### **South East Asia Civil Society Engagement**

**Malaysia:** Through UA's work to remediate violations of recruitment fees for foreign migrant workers in a factory in Malaysia, UA has engaged with investigative non-profit organization, as mentioned under Principle 7. The organization provided UA a draft report that included similar findings that UA and Nike had identified and were in the process of remediating. UA's commitment to the FLA and AAFA's Responsible Recruitment Commitment is a formal commitment to remediate recruitment fee violations in Malaysia and other countries where foreign migrant labor is prevalent.

### **Americas Civil Society Engagement**

**Central America:** UA is an active member of the Americas Group, a multi-stakeholder organization of brands and civil society organizations, which work together in addressing systemic labor issues in Mexico, Central America, and South America. The FLA's Civil Society Engagement Manager, Americas is also actively involved with the Americas Group and has verified UA's participation and membership. UA is also a member of the Americas Group's Central America Committee, which has worked to address issues identified for women working in the maquila sector, [identified](#) by the Central American Women's Network in Support of Maquila Workers (REDCAM). UA has participated in multi-stakeholder forums regarding childcare centers in El Salvador. Additionally, UA has supported the work the Central America Committee has done to address sexual harassment and other forms of gender-based violence at work and occupational health and safety.



The VP, Sustainability & CSR, on a panel at the OECD Forum in 2019

**Mexico:** UA is also on the Mexico Committee of the Americas Group and has provided support in carrying out the various initiatives on issues such as freedom of association and protection contracts guidance, addressing precarious work, and advocating for labor justice reform. UA provided feedback and support in drafting the Americas Group's guidance in upholding freedom of association in factories in Mexico and signed two joint letters with the brands of the Americas Group and the FLA to advocate for freedom of association in Mexico.

### **International Civil Society Engagement**

UA has signed the [AAFA/FLA Apparel & Footwear Industry Commitment to Responsible Recruitment](#) which emphasizes a commitment to the fair treatment of workers throughout their supply chain. Moreover, UA participated in the [International Corporate Accountability Roundtable \(ICAR\)](#) Expert Roundtable on Modern Slavery Reporting Requirements in December 2018. This roundtable was composed of labor NGOs and officials from the U.S. Departments of Labor and State. UA was the only brand with a representative who was present at this event. The event was designed to discuss issues surrounding corporate reporting requirements. The topics included discussion of the current state of corporate reporting, where NGOs want to see additional information provided, and how corporate reporting is being used by the public. The group also discussed the value of reporting

against risks in supply chains and the prospect of additional reporting requirements in new jurisdictions.

### **Government Engagement**

UA has also participated in various forms of government engagement, most notably concerning Cambodia, El Salvador, and Nicaragua. In Cambodia, UA has been participating in calls and meetings coordinated by the FLA and AAFA to address freedom of association and labor issues with the Cambodian government. In October 2018, UA's VP, Sustainability & CSR, attended and played an active role in a [convening](#) with other FLA and AAFA brands to engage with the Cambodian government on the current state of labor rights and standards. Specifically, the delegation called for criminal charges to be dropped in the cases of labor leaders; amendments and implementing regulations to support workers to engage freely with unions; and noted the important role of Cambodia's Arbitration Council in resolving labor disputes. In El Salvador, UA engaged with the Ministry of Labor to get a legal opinion on the first three days of medical leave payment. In June 2018, UA, the America's Group, six other leading companies, AAFA, and the FLA sent a [letter](#) to the President of Nicaragua expressing their concern about the political and social crisis threatened the lives and livelihoods of Nicaraguan workers.

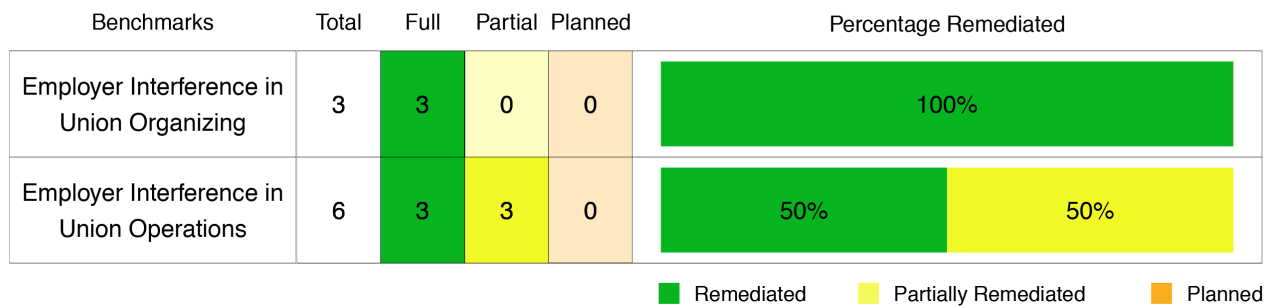
The FLA supports and recognizes UA's engagement in key sourcing countries, including Cambodia, China, El Salvador, Honduras, and Indonesia. The FLA recommends that UA continue to engage with Civil Society Organizations in these key sourcing areas to understand local labor issues. The FLA also recommends that UA engage with more Civil Society Organizations in other key sourcing countries, including Vietnam, Turkey, and Jordan. UA has stated that their future goals include a focus on migrant workers and childcare in Vietnam and the FLA supports that focus.

### **Unions & Worker Representative Structures**

The UA monitoring guidelines require assessors to understand the supplier relationship with the union or worker representative structure in place. Prior to assessments, UA requests that auditors interview relevant unions and CSOs in the region to get a better understanding of labor issues. The FLA staff verified that these pre-audit meetings occur and that union representatives were included in the worker interviews during its field observation in Vietnam in 2017. The FLA also verified that these pre-assessment meetings are a regular practice during an interview with the General Secretary of Federación de Asociaciones o Sindicatos Independientes de El Salvador (FEASIES), a Salvadoran Union Federation.

The FLA also recognizes the remediation actions UA and its suppliers have taken to remediate violations on employer interference in union organizing and operations. For union organizing, UA has remediated all three found labor violations in the 23 SCI Assessments conducted from 2014-2017. For union operations, UA has remediated three found labor violations and is in the process of remediating three additional violations. For example, during an SCI assessment in China, FLA assessors observed that workers were not given copies the collective bargaining agreement (CBA) and had not received training on the CBA. UA worked with the factory to ensure that workers received copies of, and training on, the CBA.

### FLA REMEDIATION PROGRESS CHART



Additionally, UA’s SOPs for Escalation of External Grievances (described in Principle 4) outline how UA will address grievances received from unions or other third parties. UA has provided documented examples of using this procedure in Cambodia, El Salvador, Honduras, Indonesia, Haiti, and Peru. During an interview with FEASIES, the FLA verified that UA collaborated with FEASIES to reinstate dismissed workers at an El Salvadoran supplier after FEASIES had reached out to UA. The FLA recognizes UA’s commitment to standards for freedom of association and collective bargaining as a strength of its program; this commitment has been evident in the knowledge and expertise of UA’s Western Hemisphere Sustainability Manager and the remediation verified by the FLA through Third Party Complaint and Safeguards Investigations, SCIV and SCIB Assessments, and remediation updates.

#### **FLA Safeguards Independent Investigations & Third-Party Complaints**

From 2014 to 2019, UA was a part of two Third Party Complaints in Peru and Nicaragua and two additional Safeguards in Nicaragua. In 2014, a [complaint](#) was submitted by a worker at the factory New Holland Apparel de Nicaragua alleging that she had been dismissed from her job because of her union affiliation and also alleging that she had been harassed by management. UA and adidas carried out an assessment of the allegations and engaged an expert to mediate the dispute between the factory and the worker/union. As a result of the mediation, the factory and the worker/union agreed to put in place a process to govern the rehiring/reinstatement of the worker and also prompted the factory to provide more training to managerial and supervisory personnel on alternative dispute resolution techniques and on labor management relations.

In 2015, adidas and UA requested that the FLA engage an independent expert to examine the termination of five workers who were in the process of forming a new union at this same factory. The [Safeguard Investigation](#) determined that two of the five terminations did not comply with the collective bargaining agreement. adidas and UA worked with the factory to reinstate with back pay the two illegally terminated workers and to develop detailed policies, procedures and trainings on freedom of association, collective bargaining, and Nicaraguan law. In 2018, at New Holland Apparel de Nicaragua (the same factory but under new ownership), UA and Nike requested that the FLA conduct another [Safeguards Investigation](#) regarding the dismissal of a union leader who had employment protection as well as the alleged violations of other labor standards. The FLA contracted two experts to investigate these and the other alleged violations. The factory and the union leader came to an outside legal settlement and the two experts therefore provided recommendations related to the other alleged labor violations.

In 2014 Pou Chen Group, an accredited FLA Participating Supplier and an UA supplier, initiated an FLA [Safeguards Investigation](#) at its facilities in Dongguan, China after workers went on strike, protesting that the factory was not making the legal contributions for social insurance and housing benefits. The FLA conducted a verification as a safeguard investigation in May 2015 to assess the

implementation of the remediation plan at four Pou Chen facilities. The FLA found that Pou Chen was providing the benefit payments aligned with local laws and provided retroactive contributions. UA and other buyers of Pou Chen Group were involved throughout this investigation to ensure their commitment to supporting Pou Chen's remediation of the social insurance and Housing Provident Fund violations.

In 2015, the FLA accepted a [complaint](#) filed by a worker at the COFACO factory in Peru regarding compensation and benefit contribution discrepancies. UA worked with its regional staff and an external assessor to investigate the alleged noncompliances. After the investigation, UA worked with the factory to ensure that the factory corrected the pay and benefit contribution discrepancies and update the employee handbook and increased the number of trainings to ensure that workers were aware of all pay and social benefits to which they were entitled under national law. The FLA determined that the issues in the complaint were satisfactorily addressed and therefore closed the Third-Party Complaint process.

### PRINCIPLE 10: VERIFICATION REQUIREMENTS<sup>10</sup>

UA is engaged in and supportive of the FLA mission and regularly attends FLA Board Meetings, most recently the October 2018 meeting in Vietnam. The VP, Sustainability & CSR, has been a member of the FLA Board of Directors and its Executive, Audit and Strategy Advisory Committees since 2016, a member of the Monitoring Committee since 2014, and an active participant in discussions on fair compensation, governmental and stakeholder engagement, and SCI Assessment tool development. The FLA recognizes the commitment and partnership UA has developed with the FLA, not only to support UA's implementation of the Principles in their Sustainability program, but also UA's support for the FLA to be a more public-facing organization representing worker rights.

UA's commitments to the Fair Labor Association Principles and obligations are integrated into the Sustainability program and addressed in their Standard Operating Procedures. The FLA confirms UA has completed all FLA administrative requirements; the company has paid all annual dues, completed the annual self-assessment, provided an up-to-date factory list, submitted to applicable SCI assessments and field observations, and reported remediation updates for all applicable facilities.

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<sup>10</sup> Principle 10: Company affiliate meets FLA verification and program requirements.

## SECTION 4: CONCLUSION AND RECOMMENDATION TO THE BOARD OF DIRECTORS

This review of Under Armour's labor compliance program is intended to inform the FLA Board of Directors as they consider whether to accredit the program.

From its affiliation to the FLA as a Category B Licensee Affiliate through its affiliation as a PC, Under Armour has increasingly developed a labor compliance program that aligns with FLA standards, benchmarks, and protocols. Accreditation is a measure of the capacity and performance of a company's labor compliance program to ensure respectful and ethical treatment of workers. The FLA recognizes that no labor compliance program is perfect; the notion of continuous improvement means there will be instances when a specific principle or benchmark is not met, yet such instances should not call into question the integrity of the entire program. The FLA will continue to provide programmatic recommendations to further every affiliate's labor compliance in support of the FLA mission to protect worker rights and ensure decent working conditions. The FLA staff recommends the FLA Board of Directors accredit the Under Armour labor compliance program.

The FLA assessment identified certain areas Under Armour's labor compliance program is strong and others where improvements are possible:

Strengths of the Under Armour labor compliance program:

- 1) Top management commitment, including the Sustainability Leadership Council;
- 2) Regular training on workplace standards, transparency, root cause analysis, and health & safety for strategic suppliers;
- 3) Grievance procedures ensure workers have access to and are aware of the multiple grievance channels they can access, including directly to UA through its confidential reporting channel;
- 4) Comprehensive monitoring program that includes pre-assessment meetings with unions, worker representative structures, and/or civil society organizations;
- 5) Demonstrated civil society and union engagement in key sourcing regions, especially East Asia, Southeast Asia, and Central America.

Suggestions to strengthen Under Armour's labor compliance program:

- 1) Continue to provide all headquarter and regional staff with training on the UA Supplier Code of Conduct and Workplace Standards;
- 2) Continue to grow the Sustainability Team, especially regional staff in key sourcing regions;
- 3) Continue to improve and expand implementation of and training on responsible purchasing practices;
- 4) Continue to formalize and implement the evaluation of and incentives offered to suppliers for strong sustainability performance; and
- 5) Continue to support suppliers to sustainably remediate labor violations in UA's supply chain.

## APPENDIX A: THE UNDER ARMOUR CODE OF CONDUCT



# UNDER ARMOUR SUPPLIER CODE OF CONDUCT

AT UNDER ARMOUR, OUR "HOUSE" HAS BEEN BUILT AROUND FOUR PILLARS – MAKE A GREAT PRODUCT, TELL A GREAT STORY, PROVIDE GREAT SERVICE AND BUILD A GREAT TEAM. UNDER ARMOUR'S MISSION IS TO MAKE ALL ATHLETES BETTER THROUGH PASSION, DESIGN, AND THE RELENTLESS PURSUIT OF INNOVATION.

Under Armour requires its teammates to comply with Under Armour's Code of Ethics and Business Conduct. Consistent with these values, Under Armour seeks to do business with business partners, including manufacturers, licensees and agents and their subcontractors (hereinafter collectively called "suppliers" and "employers") that share these values, strive for continuous and sustainable improvement in working conditions and practices and comply with this Supplier Code of Conduct (the "Code") and all applicable laws. Suppliers shall collaborate with Under Armour and their subcontractors to assess current practices, identify opportunities for improvement, and implement improvement plans.

Under Armour suppliers and their subcontractors must deal with their employees, their teams, in a legal, ethical and equitable manner. Under Armour seeks to do business with suppliers and subcontractors that comply with the laws of the United States, the countries in which Under Armour products, their components and materials are produced, distributed, bought and sold, and the Code. Any violation of these laws or the Code may be viewed as a breach of the Manufacturing Agreement and could lead to the termination of the business relationship between Under Armour and the supplier.

**NONDISCRIMINATION:** Under Armour suppliers and their subcontractors shall not subject any person to 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. Additionally, suppliers and their subcontractors must implement effective measures to protect migrant employees against any form of discrimination and provide appropriate support services to them.

**HARASSMENT OR ABUSE:** Under Armour suppliers and their subcontractors must treat their employees with respect and dignity. No employee shall be subject to physical, sexual, psychological or verbal harassment or abuse.

**FORCED LABOR:** Under Armour suppliers and their subcontractors shall not use forced labor, whether in the form of prison labor, indentured labor or bonded labor, or other forms of forced labor to make or perform work on Under Armour products or their components or materials or permit their suppliers to do so.

**CHILD LABOR:** Under Armour suppliers and their subcontractors shall not employ persons under the age of 15 or under the age for completing compulsory education, whichever is higher.

**FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING:** Under Armour suppliers and their subcontractors shall recognize and respect the right of employees to freedom of association and collective bargaining. Employers must develop and implement effective industrial relations systems and mechanisms to resolve industrial disputes, including employee grievances and ensure effective communication with employees.

**HEALTH AND SAFETY:** Under Armour suppliers and their subcontractors must provide their employees with 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. Employers must fully comply with all applicable workplace conditions, safety and environmental laws rules, regulations and standards. Employers must effectively implement health and safety policies and procedures within their operations, workplaces and related residential facilities and jointly share responsibility for, and ownership of, them with appropriately trained employees. Where residential housing is provided to their employees, suppliers and their subcontractors must apply these standards to them and ensure that such housing provides a safe, healthy and sanitary living environment.

**SUSTAINABLE BUSINESS PRACTICES:** Employers shall implement responsible measures to mitigate negative workplace and operational impacts on the environment and their community. This includes: integrating sustainability principles into business decisions; improving environmental performance by responsibly using natural resources; reducing waste, increasing energy efficiency; adopting cleaner production and pollution prevention measures and sustainably designing, developing and building products, materials and technologies.

**HOURS OF WORK:** Under Armour suppliers and their subcontractors shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Under Armour suppliers and their subcontractors shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Under Armour suppliers and their subcontractors shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

**COMPENSATION:** Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.

**LEGAL AND ETHICAL BUSINESS PRACTICES:** Under Armour suppliers and their subcontractors must fully comply with all applicable local, state, federal, national and international laws, rules and regulations including those relating to child labor, wages, hours, labor, health and safety, slavery, human trafficking and immigration. Under Armour suppliers and their subcontractors must be ethical in their business practices.

**GIFTS/CONFLICTS OF INTEREST:** Under Armour's relationships with its business partners are built on trust, value, quality and service. Suppliers and subcontractors must abide by Under Armour's policies on gifts and conflicts of interest. Under Armour teammates may only accept modest gifts, meals and entertainment from suppliers or subcontractors (less than USD 200). Ordinary business meals and small tokens of appreciation generally are acceptable, but suppliers and subcontractors should avoid offering Under Armour teammates travel, frequent meals or expensive gifts. Gifts of cash or cash equivalents, such as gift cards, are not permitted.

**RECORDKEEPING:** Under Armour strives for fairness and accuracy in all our records and reports. Under Armour expects its suppliers and subcontractors to maintain accurate financial books and business records in accordance with all applicable requirements.

**ANTI-BRIBERY AND ANTI-CORRUPTION:** Under Armour is committed to conducting business free from corrupt practices. Suppliers and subcontractors must comply with applicable anti-corruption laws, including the United States Foreign Corrupt Practices Act and the UK Bribery Act of 2010. Suppliers and subcontractors may not offer anything of value, either directly themselves or through a third party, to government officials in order to obtain or retain business.

**EXPORTS:** Suppliers and subcontractors must transfer Under Armour products across borders in a lawful manner and in compliance with the U.S. Export Administration Act and Export Administration Regulations.

**NON-RETALIATION:** Under Armour suppliers and subcontractors must effectively implement a non-retaliation policy, procedures and reporting channels that enable workers to express anonymously and safely their concerns about workplace conditions directly to factory management and to other parties without fear of retribution, retaliation or any other adverse action.

**REPORTING POTENTIAL MISCONDUCT:** Under Armour suppliers and subcontractors and their employees may report violations of this Code to Under Armour's Hotline electronically via <http://www.convercent.com/report> and/or [suppliercode@underarmour.com](mailto:suppliercode@underarmour.com). The Hotline is monitored 24 hours a day, seven days a week. The Hotline allows for the option to report anonymously, depending on location. Suppliers and subcontractors must provide reasonable support during an investigation of a potential violation.



## APPENDIX B: UNDER ARMOUR'S REMEDIATION PROGRESS CHART

### FLA REMEDIATION PROGRESS CHART

Benchmarks	Total	Full	Partial	Planned	Percentage Remediated
Protection of Pregnant Workers & New Mothers	5	5	0	0	100%
Monetary Fines	3	3	0	0	100%
Minimum Wage	3	3	0	0	100%
Employer Interference in Union Organizing	3	3	0	0	100%
Overtime Payment Calculations	6	4	2	0	67% 33%
Fringe Benefits	12	8	4	0	67% 33%
Freedom of Movement	6	3	3	0	50% 50%
Employer Interference in Union Operations	6	3	3	0	50% 50%
Excessive Overtime	22	9	13	0	41% 59%
Accurate Wage Records, Calculation, & Payment	4	1	3	0	25% 75%
Verbal Abuse	1	0	1	0	100%
Recruitment Practices	3	0	3	0	100%
Fire Safety & Emergency	76	61	14	1	80% 18% 1%
Industrial Relations & Grievance Mechanisms	32	18	13	1	56% 41% 3%
Personal Protective Equipment	20	12	7	1	60% 35% 5%
Supervisor Training	17	10	6	1	59% 35% 6%
No Rest Day	9	5	3	1	56% 33% 11%

■ Remediated    
 ■ Partially Remediated    
 ■ Planned