



## Remediation and Capacity Building

**Under Armour's Sustainability department seeks to assess supplier performance, identify legal and FLA Code and benchmarks compliance issues, and to work collaboratively with suppliers to address them through the process of building and executing supplier Management Action Plans (MAPs).**

### RISK ANALYSIS

Under Armour looks to pursue a proactive approach to managing the impacts of its supply chain and products.

**Our Sustainability team has added a Human Rights Due Diligence (HRDD) tool to assess, on a country level, risks and issues including those related to ILO Core Conventions.**

This tool draws data and analysis from an array of sources including CSO and governmental reporting and analysis. For example, our Sustainability team uses this analysis when Under Armour considers sourcing from new countries. We also incorporate information from HRDD into Under Armour's assessment Management Action Plans (MAP).

In 2015 and 2016, we also surveyed our assessment and training partners to identify suppliers that could be considered at significant risk for four critical issues aligned with the Global Reporting Initiative's (GRI) G4 guidance and related to our ongoing materiality analysis: restrictions on the freedom of association and collective bargaining, forced or compulsory labor, and child labor and juvenile workers exposed to hazardous work. We also added to this review harassment or abuse, a fifth non-GRI indicator specific to the FLA Code.

This was a first effort using GRI 4 Materiality aligned issues in our ongoing risk assessment and management process. As part of this rough and imperfect analysis, we worked to understand better how different audit findings for these five issues may suggest, or contribute to, risk – along with the country or region where the factory is located. At a high-level, there were indications from this limited and in some ways, crude review, that in some cases, risk may relate as much, if not more, to a factory's location than to the type of manufacturing process it performs. Our team also considered whether historical or other information could clarify whether certain locations may have heightened risk profiles for noncompliance with other FLA benchmarks. We have also analyzed historic risk by country, with the goal of devoting additional attention in ongoing Sustainability team work and engagement to potentially higher risk areas. Of the issues examined, freedom of association and collective bargaining, for example, may present a risk where we should be extra watchful as we evaluate potential 2017 vendors, and we may need to be especially focused on whether that risk is higher in certain countries. As we expected, our strategic manufacturing partners may perform better in pre-empting potential challenges in the areas examined.

We will improve our risk assessment and management processes in the future. For these past two years, our assessment partners identified suppliers at significant risk for these five issues based largely on reviewing the findings that accounted for in excess of 80% of the assessments done in 2014 and 2015. We recognize that audit



findings are also a snapshot of conditions on particular days and reflect the quality of the audit, so this process would never be a perfect prediction. Despite its limitations, however, by conducting overall internal data analysis we can try to confirm or understand better what we may think we are seeing on a micro-level. This analysis will help us stay continuously more proactive in helping suppliers preempt specific challenges.

## SUPPLIER TECH PACK

Just like the product specifications we provide to our suppliers, our Sustainability team tells them what we expect and require from them during the on-boarding process. Our active and prospective suppliers do, and will, receive a series of tools that we call the *Supplier Tech Pack* that are designed to build their knowledge of our Sustainability standards and their capacity to achieve, improve continuously and sustain their compliance over time. These include the *FLA Diagnostic*: a self-assessment form built with the FLA Code provisions, FLA benchmarks and FLA foundational audit tool (same questions as those used by 3<sup>rd</sup> party assessors during assessments) about Management and Employment Functions; another self-assessment form called the *Fire Safety Competency Corrective Action Plan* (FSCAP) reflecting and assessing the existence of **29 Fire Safety Competencies** and more recently, we have sent them the FLA's *Guidelines of Good Practice on Hiring, Termination, Discipline, and Grievances* (GGP) along with a copy of the FLA Code and benchmarks. The GGP were developed by the FLA so that factory managers could use them as a reference when developing management systems based on available best practices.

## INITIAL MANAGEMENT ACTION PLANS

After assessors complete their on-site assessments, we require them to discuss the issues they observed with factory management during a closing meeting, as well as provide the supplier with an **Initial Management Action Plan** (IMAP). Within the IMAP, assessors request that suppliers immediately begin to take action to address the identified non-compliances, as well as document how and who will do so. Assessors are

asked to submit to Under Armour their reports and any supporting evidence that is available at the time. Under Armour's Sustainability team then reviews all assessment reports and produces the MAPs that may convey to suppliers IMAP and additional remediation expectations.



## SUPPLIER ENGAGEMENT

Using the FLA's Sustainable Compliance Initiative (SCI) methodology, we seek to identify the source of current issues and work with suppliers so they may take ownership of refining their processes and operations and avoid future issues. In the MAPs that we build, we use two main approaches to issue remediation. Our Corrective Actions are categorized into either "Immediate Action Required" or "Sustainable Improvement Required". In general, our goal is for Factory management to address "Immediate Actions Required" in about 7 days, as they largely relate to issues that can be fixed quickly. Additional time of about seven to 14 days is often granted, as needed, to address issues or to complete work in process. For "Sustainable Improvement Required", we understand that building new and better processes will generally take longer if the changes are to be sustainable over time. In those cases, we set a longer initial action time frame, usually around 30-45 days. Actions related to "Sustainable Improvement" are generally needed



to create or enhance a management system and may include establishing, improving and implementing policies, procedures, training, communication, accountability, and the review/update process. They are intended to instill and create the conditions necessary to achieve lasting change.

### **SUPPLIERS' MANAGEMENT ACTION PLAN RESPONSES**

Suppliers respond to the MAP with their own plan to address the action items identified in it, as well as by sending supporting materials showing how they are working to address them. The Sustainability team then reviews suppliers' corrective actions by engaging with them during the follow-up process in subsequent assessments and/or visits. We are asking assessors to report to us any recurrence of issues, year over year, from one assessment to the next, for which we will do further root cause analysis. In certain cases, manufacturers may benefit from additional expertise, resources, or structure - so we may require a factory's management to hire a local third-party firm to conduct documented training and capacity building on a short-term or periodic basis.

### **ADDRESSING PERFORMANCE**

We learn from these assessments about issues and areas in which suppliers need to improve their performance, as well as those where we need to provide them with improved guidance, training, and educational materials. Mindful that we may have limited influence given the amount of business we have with them, we seek to support suppliers to build sustainable compliance capability by engaging with them in person, by phone, and by webinar, as well as written communication. In certain cases, we may support financially the cost of capacity-building programs either alone

or in collaboration with other FLA affiliates or supplier customers. When audit firms identify issues during assessments, we engage with suppliers so that they work to implement improvements. We will work with suppliers (active or new) who demonstrate that they are committed to continuous improvement, even when they need to improve their performance. Rejecting a supplier because it needs to perform better means that we have no chance to help improve conditions for its workers.



Please refer to the following disclosures for additional information on our commitment to ethical labor practices: [\*\*California Transparency in Supply Chains Act\*\*](#) and our [\*\*Conflict Minerals Policy\*\*](#).