



Monitoring and Assessment

Products We Source

Under Armour seeks to assess annually how the independent third-party manufacturers that make our products perform, including measuring through assessments their operations against the FLA and Under Armour Codes and benchmarks, evaluating whether they meet their legal compliance obligations to their employees and analyzing their environmental, health and safety (EHS) practices. We also conduct these assessments as part of a due diligence and on-boarding process for new manufacturers before we place production orders with them. During 2014 and 2015, for example, Under Armour screened new and existing suppliers using our criteria, including GRI 4 framework Materiality-aligned Aspects and labor practices measures.

Our Licensed Products

Our licensees' manufacturers are also assessed, even though the licensees are contractually required to have supplier monitoring programs in place to ensure, and to assess, their suppliers' compliance, including with the FLA and UA Codes and applicable laws. Some of our licensees and suppliers are also FLA Affiliates and Participating Suppliers in their own right, having chosen to make a commitment to meet the FLA's requirements and being subject to its oversight.

Assessments

Most of our assessments are conducted on a semi-announced basis. This means factories are given a date range, usually a period of about two weeks within, but not the actual dates during, which the assessment will be conducted. Some factories are assessed without notice. In other cases, factories receive notice prior to assessments, in particular, those conducted by the FLA.

We engage third-party assessment firms and assessors, some of which are **FLA-accredited**, to evaluate suppliers. The FLA also conducts assessments of some of our factories, amounting to about 5% of applicable suppliers each year, which often have at least one other FLA affiliate as a customer. FLA Accreditation means that some of our assessors have extensive experience in conducting social compliance assessments, and they may also reside in the countries and regions where they conduct assessments. The assessors are expected to be fluent in at least one of the languages understood by the personnel they will interview during assessments, and they also may have specific knowledge and experience about the country where they conduct assessments. One of the assessment firms that conducts assessments of, and capacity building for, suppliers is also a Civil Society Organization (CSO) in addition to being FLA accredited.

The FLA, however, does not have accredited service providers in all regions where Under Armour partners with manufacturing facilities, so we engage other experienced assessment firms in those situations. We also train the assessors we engage to help them develop and enhance their capacity to evaluate suppliers using the FLA's Sustainable Compliance Initiative (SCI) assessment **methodology** and assessment tool. We also train them on topics such as the Worker Life Cycle (see "Worker Life Cycle Analysis," below), how to conduct Root Cause Analysis, as part of an effort to identify why non-compliance occurs, and how to develop and present to suppliers focused and effective remediation plans also known as IMAP. In order to further align on assessment expectations and procedures, Under Armour's Sustainability department also conducts periodic refresher and new training for field assessors and Sustainability team staff. The Sustainability team also sends our assessors materials, including those prepared by CSOs on country, region and macro and micro issue-specific risks and trends.



Safety

Under Armour emphasizes safety in its Sustainability team's supplier and internal stakeholder engagement work. Suppliers review and use the Fire Safety Competency Corrective Action Plan (FSCAP) and are given the [FLA's Fire Safety Initiative Materials](#); we focus on efforts to help suppliers develop safety competencies in our engagement with them. We also expect suppliers to develop a "safety culture" based on worker participation, cooperation and support. Workers are expected to participate actively in safety committees and elect confidentially co-workers as representatives on factory Fire and other safety committees. Appropriately trained workers should jointly own, and share with their managers, responsibility for safety, for *Protecting Their House*. They need to learn how to observe and report safety conditions at their workstations, in their departments and other workplace areas. For Under Armour teammates who are regularly expected to visit factories, we have in the past, and will conduct again in the future, **Teammate Safety Awareness Training (TSAT)** to enable them to identify and report to the Sustainability and Sourcing teams about any safety issues they may observe during factory visits. Then timely and constructive supplier engagement will occur. We also emphasize safety in presentations and meetings with suppliers and Under Armour teammates.

Forced Labor, Slavery and Human Trafficking

Our Supplier Code of Conduct contains a prohibition against the use of forced labor, slavery and human trafficking. We also evaluate suppliers' practices and engage with them related to their employment of migrant workers against standards including the *Dhaka Principles for Migration with Dignity* (the "[Dhaka Principles](#)"). Under Armour requires that they uphold these principles, including:

1. No fees are charged to migrant workers
2. All migrant worker contracts are clear and transparent
3. Policies and procedures are inclusive
4. No migrant worker's passports or identity documents are retained
5. Wages are paid regularly, directly, and on time
6. The right to worker representation is respected
7. Working conditions are safe and decent
8. Living conditions are safe and decent
9. Access to remedy is provided
10. Freedom to change employment is respected, safe return guaranteed

While Under Armour favors direct employment of workers to help mitigate the indirect recruitment of migrant workers, we understand that direct hiring may not always be an option. It is expected that our suppliers work with us to ensure that due diligence is done in cases where recruitment agencies are utilized. In cases where Under Armour finds that our suppliers do not uphold these principles during our factory assessments, we will work with our suppliers to ensure that the issue is addressed as a part of our management action plan dialogue.



Beyond facility walk-throughs, document reviews, and occupational health and safety evaluations, our supplier sustainability assessment process includes:

CSO Issue Identification

Analysis and Engagement: Before the assessment is conducted, we expect our assessment firms to consult, and engage with, Civil Society Organizations (CSO) in the country and/or region in which the supplier operates. Where possible, through their experience, relationships and capacity, we expect our assessors to collaborate with CSOs in person, although they may sometimes communicate with them by phone or other means. Some firms and assessors do not have this capacity, so local context is obtained, in part, from pre-assessment research, some of which Under Armour collects itself and requires its assessors to review.

While evolving, this process is in place to enable our assessment firms to understand better the local social, labor and other risks and challenges and, in some cases, factory issue history viewed from the perspectives of local and issue-focused stakeholders. It improves our

assessment reports, remediation and capacity building efforts. We have more work to do here, so we are formalizing and enhancing our CSO engagement strategy and engagement plan.

Under Armour's Sustainability team includes senior members with extensive CSO engagement experience: some of them have worked for many years with multi-stakeholder initiatives such as the Fair Labor Association, as well as engaging with government officials and labor rights advocacy organizations. We have identified, and will continue to identify, relevant organizations with expertise in the apparel and footwear sectors, among others, to partner with us.

Worker Life Cycle Analysis

Assessors evaluate everything from how workers are hired to if, how and when, their employment with the supplier ends. They also review how employers perform their core management and employment functions including whether they have created necessary and effective policies and procedures, conducted training about them, Implemented and communicated them, identifying responsibility and ensuring accountability for them, and conducting related process reviews and updates. Assessors also analyze supplier records such as new worker request forms, application forms, employment contracts, worker personnel files and payroll records, including timecards and

termination documentation and collective bargaining agreements.

Worker Interviews

Our assessment firms strive to interview a consistent statistical sample of each factory's worker and manager base. Our process is based on the FLA's worker interview sample chart that is currently used by the FLA's internal and external assessment firms. Assessors may also interview trade union and other worker representatives, as applicable.

Effective Grievance Mechanisms and Systems

An effective grievance system is one where the workers' voice is heard, that the workers feel safe using, and which their employers then use, to address their grievances. So, we emphasize through regular dialogue and engagement with our suppliers and licensees that their procedures should be effective, and recommend that they offer text message, email, and free phone calls for this purpose – in addition to "open door" policies and posted suggestion boxes.

If this process works, then the exact way in which they submit grievances may be less important. We stress to our assessors the importance of conveying to us their judgments about whether these systems are *effective*, not just present. Here, as in other parts of the assessment process, assessors collect information by interviewing workers, reviewing on-site documentation on



grievance procedures, submitted grievances and their resolution, and they also may physically inspect grievance systems. Under Armour requires factories to identify the person who is responsible and accountable for developing and implementing comprehensive written grievance policies and procedures, as measured against the FLA Benchmarks. These systems must enable workers to confidentially report grievances to top management or its human resources teams – without supervisors' knowledge, reprisal or retaliation. Factories must also keep a grievance register that covers when they were submitted, what they concerned, and how the factory's management communicated to workers that they received them – as well as how they addressed them.

Receiving Workers' Grievances/ Worker Voice

Under Armour's Sustainability team receives workers' grievances directly from workers, through assessment firms and from CSO engagement and, sometimes, through the FLA or other factory customers with which we collaborate. We require our assessors to provide all supplier personnel who participate in interviews, including workers and managers, with the assessors', and our Sustainability team's, contact information. In certain cases, we have required factories to engage a third-party hotline/survey provider to

receive grievances and obtain anonymous survey data about workplace conditions directly and confidentially from workers. Our newly revised and soon to be published Supplier Code of Conduct also contains a means for factory personnel to contact us about the Code of Conduct and other issues. Factory workers also have access to the **FLA's third-party grievance mechanism** when they need to raise concerns about the violations of its code. We periodically receive grievances directly from workers or groups that represent, or work with them, including labor rights organizations, CSOs and trade unions.

When Under Armour receives worker grievances, we investigate them and take action, including asking suppliers to remedy issues. We will work directly with the manufacturer to find a solution, or we may engage 3rd parties, including the FLA, to conduct investigations or to support the factory in resolving them. We have sometimes served as an intermediary between workers and management when they are in conflict; in other cases, we have engaged a third-party expert to mediate and resolve issues. We also work with other brands that share our suppliers to identify issues and seek to implement jointly near-term corrective actions in addition to building more sustainable systems for the future.

We are currently engaged in a pilot

program aimed at building and enhancing in-factory structures and mechanisms for workers to provide feedback to, and collaborate with, factory management. This program is intended to address more effectively and on an on-going basis reported and possible business challenges and workplace issues before they become the subject of a grievance.

Supplier Environmental Impact Management and Best Practice Screening

During 2014 and 2015, we also enhanced the environmental criteria that we use to screen new suppliers. This assessment component includes questions about suppliers' sustainability policies and reporting; work to evaluate their environmental impacts; and the nature and extent of their Environmental Management Systems (EMS). It also covers the extent to which they measure, manage and reduce their environmental impact by setting targets in areas like waste, energy and emissions, water withdrawal, and wastewater. We also seek to learn about



suppliers' good, better and best practices including voluntary activities that benefit their employees, their teams as well as the communities in which they operate – as well as efforts they take to promote employee health and safety. All suppliers receive Under Armour's Sustainability Guidance Document during the on-boarding process as a resource to help them better understand our expectations and take steps to improve their performance. Under Armour also engages suppliers to have them self-assess their performance against the FLA Benchmarks using the FLA Diagnostic Tool. This helps suppliers identify key areas for improvement. Before each annual assessment we also ask factories to complete a FSCAP module (Fire Safety Competency Corrective Action Plan), which is built on guidelines developed by the FLA and international fire safety experts. Completing this module serves to help suppliers and Under Armour to understand better suppliers' ability to maintain a safe business environment along with how prepared they are to address an emergency.

Principles of Fair Labor and Responsible Sourcing and Production

Our sourcing and other personnel periodically evaluate order placement relative to suppliers' observed and stated production capacity, as well as

engage with our Sustainability team about their prior social compliance performance. Under Armour prohibits subcontracting without express prior written authorization from senior sourcing personnel. Under Armour seeks to promote better practices within its supply chain, and we are evaluating opportunities to further support first-tier suppliers in managing related risks for other supply chain tiers.

Supply Chain Tiers, Audit Data and Root Cause Analysis

In both 2014 and 2015, 8 third-party monitoring firms and/or assessors collectively audited more than 220 suppliers.

Under Armour audits all Tier 1 facilities and certain Tier 2 suppliers, including some that produce licensed goods. For Tier 2 and beyond, as part of our ***Beyond Tier 1 (BT1)*** initiative, we will over time prioritize for assessment facilities that produce high volumes of materials for Under Armour. We also will roll out related online training on Fire Safety, Hazardous Substance Management, Personnel Protective Equipment

(PPE), Environmental, and Health and Safety Risk Assessments in Bahasa, Chinese, English, Spanish and Vietnamese.

When assessed, any business is likely to display different levels of performance, with strengths in some areas, other areas in need of improvement and still other areas in need of sustained focus and work. We know that we often are not a supplier's only customer, and for some suppliers we may not do enough business with them or have a long enough business relationship to have much or significant influence with them. Under Armour does, however, seek to engage with the suppliers we assess and, as part of this engagement, we emphasize our requirement that they strive for, and exhibit, continuous improvement in working conditions and operations.

Our focus on Sustainable Compliance includes an emphasis on conducting, through a documented process, a ***Root Cause Analysis (RCA)*** of reported issues. This may be done in collaboration with a variety of stakeholders, including suppliers, auditors, intermediaries, union and worker representatives, and CSOs. Our assessors are asked to report to us the root cause of each issue and/or finding. This analysis informs the way in which we write our Management Action Plans (MAPs) and engage in dialogue with factories about how they will improve performance in identified areas.