

## **OUTERKNOWN COMMITMENT TO FAIR COMPENSATION**

The Outerknown Fair Labor Program is underpinned by the singular goal of protecting and promoting healthy and sustainable working conditions. As global citizens it's imperative to us that the people who make our clothes are treated fairly. In line with our purpose and in recognition that we can achieve great things through partnership, we were the first brand to pursue accreditation from the Fair Labor Association (FLA) prior to ever selling a single product. As a part of the partnership, we work with the FLA to uphold fair compensation for the workers in our supply chain.

### **THE PROBLEM**

Factory workers in the apparel industry often struggle to make a living wage that covers their basic needs. This financial vulnerability has become even more evident during the Covid-19 pandemic, which has left many without jobs or a safety net. As noted in a report from the FLA, "This fundamental right is one of the most challenging to uphold. Despite private sector commitments and workplace codes of conduct, low wages are common and persistent." Based on the way fashion's supply chain functions, there are multiple variables involved in whether a worker is fairly compensated including: a factory's order volume and reliability, costing practices, customer purchasing practices, factory management's profile, and unforeseen disruptions to production such as natural disasters or pandemics. Despite these challenges, we make every effort to do our part in improving workers' lives within our supply chain and have embarked on a journey to tackle this issue.

### **OUR APPROACH**

Given the many factors at play in fair compensation for workers, collective action is an important driver in our ability to move the needle at our factories. We will leverage our partnerships with the Fair Labor Association and Fair Trade USA as well as engaging with peer companies, our suppliers, civil society, and other programs to gather meaningful data, develop strategy, and support improvement. Using FLA's tools, we are working to gather data, analyze wages, and partner to implement progress at our factories towards fair compensation and living wages for all workers in our supply chain.

Outerknown has worked with the FLA to develop our fair compensation blueprint, an operational action plan to drive fair wage progress for workers. Accordingly, we have begun the work of gathering compensation data from our suppliers. Our efforts are focused on gender equality, pay equity and responsible sourcing practices that support fair compensation for workers. We will work toward ensuring fair compensation in our supply chain through four mechanisms: legal obligation, responsible purchasing practices, industry engagement, and supplier relationships.

Based on our research and consulting peers and labor organizations, we will use the Global Living Wage Calculator from the Global Living Wage Coalition to benchmark the wage data from our suppliers. This calculator assesses living wages based in the Anker Methodology which was developed to measure living wage for a worker and his/her family in a particular place. The numbers are determined with participation from local people and organizations and accounts for cost of food, housing, and other essential needs.

## WHERE WE ARE NOW

Outerknown's [Code of Conduct](#) and [Supplemental Expectations](#), in alignment with FLA [benchmarks](#), has always required that our partners uphold key aspects of fair wage such as paying the legal minimum wage, accurately calculating and paying overtime wage, compensation on a predictable basis, transparent communication of wage practices and rates, along with providing all required statutory benefits. We ensure these requirements are being upheld through third-party verification. We have a stringent vetting process to ensure that we are prioritizing partners who align with our high standards.

We are expanding the implementation of our program beyond Tier One factories where historically less attention has been paid by international buyers, but where considerable gaps may exist. This goes beyond FLA expectations, which asks affiliates to first focus on their Tier One suppliers. Due to the nature of the fashion supply chain, Tier 2, 3, and 4 suppliers are often overlooked due to lack of visibility into these facilities. However, we have been working towards a deeper level of transparency to ensure our Fair Labor standards are upheld at every step in our products' journey.

To date, we have gathered wage data from 10% of our suppliers and built our Fair Compensation strategy. In 2022 we plan to pilot the first phase of our strategy which is outlined in the next section.

## NEXT STEPS:

As laid out in our Fair Compensation Blueprint we commit to the following in 2022:

- 1. Strategy Integration:** Integrate Fair Compensation Blueprint with existing 2030 Sustainability Strategy Roadmap/Fair Labor 2025 Goals, Strategies and KPIs.
- 2. Data Collection & Supplier Engagement:** expand collection of wage data from a representative sample of the supply chain using the FLA wage tool and to engage our suppliers directly on issues related to Fair Compensation. Additionally, pilot a worker voice program to gain deeper insight into the compensation practices and impacts on the workers.
- 3. Internal Dialogue:** Use collected data and other Responsible Purchasing Practice (RPP) inputs to generate cross-departmental conversations about setting strategies and priorities for fair compensation, including tactics pertaining to high-risk sourcing and/or owned production countries.
- 4. Collaborative partnerships:** where Outerknown has minimal business leverage, seek out and engage with peer companies and other programs/initiatives (e.g. ILO Betterwork) to help drive supplier engagement. We recognize that our best opportunity to have an impact on complex issues is to work collaboratively and to include important stakeholders from civil society and organized labor where appropriate.
- 5. Stakeholder Communication:** work towards publishing our commitment to fair compensation, including details of our efforts towards implementation.

In alignment with our 2025 Outerknown Fair Labor Roadmap, we intend to report data analysis and fair compensation progress in a worker impact report on an annual basis.

**DEFINITIONS:**

**Fair Compensation:** Wage levels and wage-fixing mechanisms that provide a living wage floor for workers, while complying with national wage regulations (such as the minimum wage, accurate payment of wages, overtime payments, provision of paid holidays and social insurance payments), ensure proper wage adjustments and lead to balanced wage developments in the company (with regard to wage disparity, skills, individual and collective performance, and adequate internal communication and collective bargaining on wage issues).

**Living Wage:**

*“The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”* Global Living Wage Coalition

**Benchmarks/tools:** The FLA uses wage benchmarks as guideposts to understand workers’ wages in specific countries and regions. These guideposts are a tool for companies to determine fair compensation [or living wage] progress.

**WANT TO LEARN MORE?**

If you have questions or comments, we encourage you to share them with our team at: \*Sustainability email here\*

Additional resources:

1. <https://www.fairlabor.org/>
2. <https://www.fairtradecertified.org/>
3. <https://www.globallivingwage.org/>
4. [The Anker Methodology for Estimating a Living Wage](#)
5. [Reaching Living Wage for Garment Workers](#)

Interested in collaborating on fair compensation work? Reach out to our team at [fairlabor@outerknown.com](mailto:fairlabor@outerknown.com).