

**USC** University of  
Southern California

**Licensee Social Responsibility  
Compliance Manual**

# TABLE CONTENTS

1. [Introduction](#)
2. [Review of Key Licensee Responsibilities](#)
  - 2.1. Process Overview
3. [USC Workplace Code of Conduct \(COC\)](#)
  - 3.1. Employment Relationship
  - 3.2. Nondiscrimination
  - 3.3. Harassment or Abuse
  - 3.4. Forced Labor
  - 3.5. Child Labor
  - 3.6. Freedom of Association and Collective Bargaining
  - 3.7. Health, Safety, and Environment
  - 3.8. Hours of Work
  - 3.9. Compensation
  - 3.10 Major Non-Compliance Issues
4. [Communicating Expectations to Factories](#)
  - 4.1. Requirements & Preparation
  - 4.2. Audit Process
  - 4.3. Additional Audit Requirements
5. [Appendix](#)
  - 5.1. [Appendix A](#): Audit Request Form
  - 5.2. [Appendix B](#): USC Preferred Third-Party Auditing Firms
  - 5.3. [Appendix C](#): USC Assessment Reference
  - 5.4. [Appendix D](#): Frequently Asked Questions

# **1.INTRODUCTION**

The University of Southern California (USC) strives to conduct business in accordance with high ethical business standards. To support this initiative, USC Trademarks & Licensing Services has made a commitment to engage with licensees to help ensure that USC licensed products are manufactured in safe, healthy environments that respect workers' rights. USC has adopted its own Workplace Code of Conduct (COC) and established a process to verify that factories manufacturing USC branded product meet a required level of compliance with international labor standards and country specific laws.

USC Licensees are required to regularly provide current information on factories involved in the production of USC licensed products. In addition, licensees are expected to establish their own internal social responsibility programs, and to submit to regular third party factory monitoring to verify compliance with USC's Workplace COC. In addition, social compliance audits are used to assess whether factories have systems and policies in place that will facilitate ongoing compliance. USC seeks to work with licensees that have internal policies and programs to ensure their products are made in factories with acceptable working conditions. Both licensees and factory managers are expected to take an active role in this ongoing process.

This manual provides an overview of the roles and responsibilities of licensees, as well as the standards that manufacturers of licensed products are expected to uphold. Specifically, this manual contains the following sections:

**Overview of Licensee Key Responsibilities:** describes the role licensees' play in achieving social compliance throughout the manufacturing process.

**USC's Workplace Code of Conduct:** describes the requirements all licensees and their factories must adhere to.

**Communicating Expectations to Factories:** explains what aspects of USC's requirements should be communicated to manufacturing facilities. This includes an overview of the audit process as well as consideration in addressing non-compliance issues.

We look forward to partnering with you in our continuous effort to have USC licensed products manufactured in factories that offer safe, healthy and fair working conditions.

## **2. REVIEW OF KEY LICENSEE RESPONSIBILITIES**

As a USC licensee and our partner in ensuring that USC products are manufactured in factories with acceptable working conditions, we require your cooperation to facilitate a successful social compliance program.

Please contact [trdmarks@usc.edu](mailto:trdmarks@usc.edu) with any questions regarding the obligations described:

### **2.1 PROCESS OVERVIEW**

#### **1. Designate Company Corporate Social Responsibility (CSR) Contact**

- a. Each licensee should designate a person responsible for the implementation of USC's standards at the manufacturing facilities producing USC licensed products. The CSR contact should be an individual who has visibility into the supply chain and can communicate code of conduct expectations to manufacturers. This individual will also be responsible for obtaining and reviewing social compliance audit reports, evaluating whether factory corrective action is necessary and if so, work with factories to resolve issues. Compliance is an ongoing obligation of doing business with USC and this should be kept in mind when selecting the CSR contact.

#### **2. Establish Internal CSR Program**

- a. Licensees are required to establish their own internal CSR program including specific processes geared toward achieving ongoing, sustainable compliance with their own manufacturing facilities and those they contract with. It is strongly recommended that licensees work together with respected field experts when developing their CSR program. USC will assist licensees in this process as needed. Once the program is developed, licensees are expected to share program details and results with USC.

#### **3. Submit Factory Information**

- a. Licensees must disclose all factories manufacturing USC licensed products. This includes those factories owned and operated by your company or a third party, as well as any subcontractors. This also means that if you change or add factories over time, you must provide USC with the updated information.
- b. **\*Important\*** All manufacturing facilities should be notified of USC's Workplace Code of Conduct and compliance requirements. Specifically, please ensure all factories are aware that USC staff and/or third party auditors may conduct an audit of their facility per the terms of your license agreement.

#### **4. Meet Third Party Factory Monitoring Requirements**

- a. Licensees are required to facilitate annual social compliance audits of those factories producing USC branded products. See preferred USC third party auditor list (Appendix B). Licensees are responsible for audit costs.

**NOTE:** In most cases, audits are required for only those facilities embellishing products with USC Trademarks. Factories producing component parts that do not bear USC trademarks are not typically required to go through the audit process. However, we do strongly encourage licensees to monitor their factories on a regular basis as part of their own social compliance programs.

- b. **New Licensees:**

- i. New licensees must facilitate audits of factories that will be manufacturing the USC licensed products. This must be done in order for USC to be able to enter into a licensing agreement. If a licensee's factory has been audited within the

past six (6) months and is able to share that report, USC will review and determine if an additional audit is necessary. Any exceptions to USC's Workplace Code of Conduct must be remediated in a timely manner.

c. **Existing Licensees:**

i. Existing licensees must submit to factory audits on an annual basis and follow through to ensure any exceptions to USC's Workplace Code of Conduct are addressed and remediated in a timely manner.

d. Once receiving a factory audit report (either from an audit firm or one that has recently been conducted by another buyer or third party), please review the results to determine whether further action is needed.

e. Audit reports will need to be submitted to USC Trademarks & Licensing Services in a digital format.

f. **\*Exceptions\*:**

- USC may waive the audit requirement in special circumstances depending on the size and location of the production facility.
- On a case-by-case basis, licensees that are Fair Labor Association (FLA) Participating Companies or Category B members are not subject to additional USC social compliance audits given those licensees' existing factory monitoring efforts and the availability of those audit reports.

**5. Address Any/All Non-Compliance Issues with a Corrective Action Plan**

a. In cases where there are moderate non-compliance issues it is expected that the factory take corrective action immediately in order to remedy these issues. The third party audit teams will discuss the necessary corrective actions onsite in the closing meeting. **Factory management will review the findings with the auditors and are expected to outline agreed-upon actions.** Licensees are required to work with the factory to ensure all corrective action improvements are addressed, and licensees should be prepared to provide proof of improvements (such as photos, documentation etc.).

b. In cases of major non-compliance issues, the factory must adhere to a corrective action plan with a specific timeframe outlined. The non-compliance issues and necessary corrective actions will be discussed onsite with the factory in the closing meeting of the audit; however, it is the responsibility of the Licensee to ensure the factory establishes an acceptable timeframe in which they will make these improvements.

**NOTE:** In order to ensure that factories are following through with the agreed corrective actions, USC reserves the right to request that an authorized external monitoring company conduct a follow up audit of any facility within 6 months of the initial audit. The Licensee is responsible for payment of this follow up audit.

**6. Licensees May Only Begin Production of USC Branded Products After Social Compliance Requirements Have Been Met**

a. To receive authorization to move forward with production, licensees must disclose factories and conduct a social compliance audit at the manufacturing facility. All must be submitted to USC. If the audit meets USC's requirements, only then can production and shipping be allowed from that factory.

**NOTE:** If a preexisting audit provided is not credible or provides insufficient information, USC reserves the right to request that one of USC's preferred independent monitoring firms conduct an audit.

### **3. USC Workplace Code of Conduct**

As a licensee, it is your responsibility to fulfill and maintain the USC Code of Conduct as part of your license agreement. This Code may be amended from time to time under the license agreement. Licensees are required to develop internal processes to achieve sustainable compliance, and submit to regular third party monitoring to help verify that the Code is being followed.

#### **3.1 Employment Relationship**

Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

#### **3.2 Nondiscrimination**

No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.

#### **3.3 Harassment or Abuse**

Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.

#### **3.4 Forced Labor**

There shall be no use of forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor.

#### **3.5 Child Labor**

No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.

#### **3.6 Freedom of Association and Collective Bargaining**

Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.

#### **3.7 Health, Safety And Environment**

Employers shall provide a safe and healthy workplace setting 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 employers' facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.

#### **3.8 Hours of Work**

Employers 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. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall compensate all overtime work at a premium rate. Other than in extraordinary circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.

#### **3.9 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.

\* \* \*

*Any Company that determines to adopt the USC Workplace Code of Conduct shall, in addition to complying with all applicable laws of the country of manufacture, comply with and support the Workplace Code of Conduct and shall apply the higher standard in cases of differences or conflicts. Any Company that determines to adopt the Workplace Code of Conduct also shall require its licensees and contractors and, in the case of a retailer, its suppliers to comply with applicable local laws and with this Code and to apply the higher standard in cases of differences or conflicts.*

### **3.10 MAJOR NON-COMPLIANCE ISSUES**

USC expects licensees to only partner with those factories that are willing and able to continuously improve conditions for their workers. There are serious violations of USC’s code that can be cause for termination depending on the severity of the issues found. These Major Non-Compliance Issues are listed below. USC reserves the right to halt production at any time for other egregious issues that may not be listed herein.

<b>Forced Labor</b>	Workers performing overtime work involuntarily Use of prison, indentured or bonded labor
<b>Underage Labor</b>	Lack of adequate age verification system Failure to observe laws regarding employment of juvenile workers
<b>Working Hours &amp; Compensation</b>	Not having 12 months of accurate time card and payroll records onsite for verification (i.e. all hours worked, including overtime hours, must be documented) Workers, including trainees and apprentices, being paid below minimum wage Underpayment of legal rate for overtime work
<b>Health &amp; Safety</b>	Major fire hazards, including: - Locked, unmarked or insufficient emergency exits - Lack of, or inadequate, fire alarm - Insufficient number of fire extinguishers and/or fire extinguishers not working properly - A fire drill has not been conducted within the last 12 months  Major industrial, chemical or building safety hazards that pose a risk to person’s life or limb
<b>Abuse Discrimination</b>	Management condoned physical, verbal, psychological or sexual harassment or abuse and/or lack of grievance procedures. Deliberate discrimination based on age, gender, race, religion, disability, sexual orientation, nationality, caste, political opinion, social or ethnic origin, or affiliation with any organization or association
<b>Freedom of Association (FOA)</b>	Discriminatory dismissals of union members Non-recognition of the right to strike

## **4. COMMUNICATING EXPECTATIONS TO FACTORIES**

Many factories are regularly audited for social compliance and are familiar with the process. However, it is advised that licensees address the following with their suppliers and ensure they are aware of what to expect in doing business with USC.

### **4.1 UNDERSTANDING THE REQUIREMENTS AND AUDIT PREPARATION**

Factories should also be aware of the Major Non-compliance Issues as described on the previous page. In particular, the importance of having accurate and reliable time and payroll records kept onsite for review by auditors for at least 12 months should be stressed. Please also be sure to advise factories that it is part of the USC Licensee audit procedure to schedule an unannounced audit within a two week announced timeframe. USC will not tolerate a factory's refusal to allow auditors entry.

#### **AUDIT REQUIREMENTS**

USC requires documentation that demonstrates a factory manufacturing USC licensed product is, at a minimum, in compliance with local and international laws, and in compliance with USC Workplace Code of Conduct monitoring standards prior to production. If your factory has not had a social compliance audit during the last six (6) months that may be shared with USC, you are responsible for scheduling the audit, and submitting the results to USC. Audit reports must be submitted in a digital format.

It is not uncommon for factories to be audited every month by a different buyer, retailer or brand. Please encourage your factories to share this information to avoid redundant auditing. To expedite the approval process, and avoid redundant auditing, if your factory has been audited during the last six (6) months and can share the results you may be able to submit this information in place of conducting an audit.

Even if prior audit reports demonstrate significant noncompliance, please encourage your suppliers to be transparent and submit this information. Submission of audit reports with noncompliance findings may not prohibit use of the factory provided that the factory is making improvements.

For answers to commonly asked questions regarding audits please see Appendix D.

### **4.2 THE AUDIT PROCESS**

#### ***Scheduling an Audit***

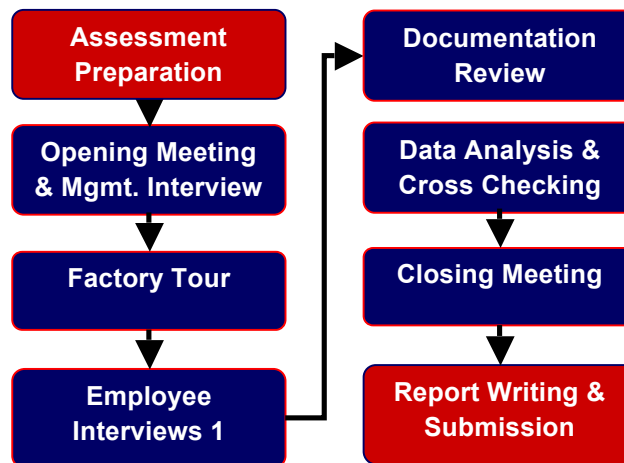
To assist you with scheduling an audit, please use the Audit Request Form (Appendix A) and contact a preferred USC auditor from the attached list (Appendix B). It is recommended that licensees schedule audits as soon as possible after identifying a factory for production, and if that factory is unable to provide you with a recent audit report that meet USC requirements. Plan on scheduling the audit between 2-4 weeks in advance of when you need the results, the earlier the better. While most firms offer rush service and can conduct an audit with short lead times they may charge extra for this service.

While there are variations in the social auditing process depending on the company and/or individual conducting the audit, the following provides an overview of the typical components. Factories should be familiar with what this process entails and the expectations regarding the time commitment and level of access required.

The labor compliance assessment is used to determine and report on a particular factory's level of compliance with local laws and USC standards. The goal is to promote increased awareness of labor



conditions within the supply chain and to facilitate corrective action if necessary. The assessment process itself requires that information be gathered from management interviews, employee interviews, visual observation, and document/records review. Initial visits generally last from 1-4 days, and follow-up visits from 1-2 days. The success of each assessment depends on the willingness of the factory management to provide access to factory grounds, relevant records, and employees for interview.



### ***Assessment Preparation***

Prior to conducting the assessment, auditors will familiarize themselves with the factory, including a review of the following:

- Factory contact
- Applicable country specific laws and standards
- Appropriate client documentation and instructions
- Supplier and factory profile information
- Self assessment questionnaires
- Review of previous assessment reports and history
- Review of all outstanding corrective action plans
- Names of employees interviewed during previous assessment
- Media allegations

### ***Opening Meeting***

The opening meeting with management is an extremely important part of the process because it sets the tone for the entire assessment. A well-executed opening meeting can make a significant difference in how smoothly and how long the assessment takes. Specifically, during the opening meeting the auditor's staff will:

- Establish appropriate communication channels
- Review the scope and goals of the assessment
- Provide management with a specific list of records that will be needed for review
- Discuss the assessment team's role as an objective verifier only
- Present and discuss USC's Code of Conduct (COC) and/or standards
- Interview factory management about operational processes

### ***Factory Tour***

In determining compliance, information gathered through visual observation is critical. For this reason the audit staff is trained to do a detailed and in-depth observation of the workplace health, safety and environmental conditions, with a focus on how those conditions impact the employees. Auditors will also observe employees for signs that might relate to other areas of compliance. For example: how managers, supervisor, and employees interact amongst themselves and with one another. In general, the audit staff is instructed to draw upon his/her common sense and professional experience. If something doesn't seem right, a more detailed analysis will be undertaken, which might include additional document review and/or employee interviews.

### ***Employee Interviews***

Confidential interviews with employees are fundamental to the success of the assessment because they provide the most direct source of information about how working conditions impact employee well-being. However, employee interviews require great care and sensitivity to local conditions, and must always be conducted in a manner that ensures that employees will not face retaliation as a result of their participation. Specifically, audit staff is expected to crosscheck information gathered from other information sources, detect potential areas of concern, and to assess the awareness level of the employees during each interview. The role of the auditor is not to educate, debate, or argue with employees for any reason.

As a requirement of doing business with USC, factory managers must ensure that employees selected for interviews do not incur any negative consequence as a result of their selection for interview. Retaliation against workers for sharing information with audits is a serious violation of USC's code and cause for termination of the business relationship.

### ***Document & Records Review***

Documents and records review is done for a number of reasons which include: gathering information regarding wages and benefits, hours of work, company policies, discrimination, health & safety, child labor, etc. Prior to reviewing records the audit staff must first familiarize themselves with the procedures and systems of the factory. As well as checking the content of the documents and records, it's also important to assess how they are controlled to ensure ongoing compliance.

### ***Closing Meeting***

Once the assessment is complete, a closing meeting will be held with factory management. During this meeting, management will be provided a final opportunity to clarify factory policies and practices as they relate to issues of non-compliance. This is of particular importance when inconsistent and/or unclear data has been collected. Generally the closing meeting includes:

- Acknowledgement of factory management cooperation
- Restatement of the purpose of the assessment
- Presentation and review of a draft list of each non-conformity
- Discussion of corrective action steps the factory will take to fix non-conformity

### ***Reporting***

The end product the auditor provides is the assessment report(s). The final report will be provided both to the licensee and USC.

### ***Audit Results and Next Steps***

The audit results are communicated to factory management during the closing meeting. At that time, it is expected that factory management discuss and commit to making improvements related to each

non-compliance issue within a reasonable timeframe. It is the responsibility of the Licensee to ensure these corrective actions are taken and that a timeframe is established and followed.

**NOTE:** In order to ensure that factories are following through with the agreed corrective actions, USC reserves the right to request that an authorized external monitoring company conduct a follow up audit of any facility within six (6) months of the initial audit. The Licensee is responsible for the costs associated with a follow up audit.

You may only produce and ship USC branded product at factories that have met USC's social compliance requirements. To receive USC authorization, the aforementioned steps must be taken. If the audit meets USC's requirements, USC will use the audit to grant approval and production and shipping may begin. If the audit reveals significant areas of non-compliance, the factory must address all non-compliance issues before being considered for production. It is the responsibility of the licensee to ensure improvements are made and their facilities meet USC requirements prior to production.

#### **4.3 Additional Audit Requirements**

##### **Oversee Corrective Action Plan (CAP)**

Licensees are expected to work with their factories to ensure effective and timely remediation of areas of non-compliance when they are found. Please ensure that proper follow up and actions are taken to improve any/all non-compliance issues. Licensees should be prepared to provide proof of improvements (such as photos, documentation etc.) at any time after the assessment is conducted.

##### **Inform USC when you stop using a factory**

If there are suppliers that will no longer be used for USC production, please notify us by e-mailing [trdmarts@usc.edu](mailto:trdmarts@usc.edu) or notify your local USC compliance contact.

**For any additional questions about this guide, the audit process, or our expectations of you as a USC licensee please contact us at [trdmarts@usc.edu](mailto:trdmarts@usc.edu) or (213) 740-5222.**

## **5. Appendix**

**Appendix A:** Audit Request Form

**Appendix B:** USC Preferred Third Party Auditing Firms

**Appendix C:** USC Assessment Reference

**Appendix D:** Frequently Asked Questions

## 5.1 Appendix A: Audit Request Form

**Instructions:** To request an audit, please complete this form and return it to a USC preferred monitoring firm.

### Requesting Company Information

#### LICENSEE REQUESTING AUDIT:

Company Name:
Address:
City:
Province/State:
Postal Code:
Country:
Contact Name:
Phone:
Fax:
E-mail:

#### COMPANY PAYING FOR AUDIT (if different from above)

Company Name:
Billing Address:
City:
Province/State:
Postal Code:
Country:
Contact Name:
Phone:
Fax:
E-mail:

**Note to Paying Company:** Payment of the audit permits the release of the collected data of the audited facility compiled by the Audit Firm to be released to USC and the licensee (if applicable). Included within this release is any monitoring data obtained through audits and verification.

### Manufacturing Facility Information

Check if attaching a USC Vendor Information Sheet in place of completing the information below.

#### FACTORY (manufacturing facility to be audited)

Factory Name:
Factory Address: (must be actual manufacturing location)
City:

Province/State:
Postal Code:
Country:
Contact Name:
Phone:
Fax:
E-mail:
Number of workers:
Language(s) spoken by workers:
Other brands/buyers:

**Date of request:**

**Date by which audit results are needed:**

**What type of audit are you requesting?**

- Initial Audit**  
This factory is a new supplier to USC and has not been audited within the last 12 months and/or existing audit report isn't sufficient to meet USC requirements.
- Follow-up Audit**  
This factory was audited and major compliance issues were found. A copy of the previous results is being submitted with this request. The factory has been notified that they must allow inspections access to audit at any time.
- Annual Audit**  
This factory was audited within the last 12 months and no major compliance issues were found. Audit is being conducted to verify continued compliance and a copy of the previous results is being submitted with this request. The factory has been reminded that they must allow inspections access to audit at any time.

**Additional Comments and Requests:**

If you are requesting that this audit be conducted to a standard other than USC's standard please comment below.

**Note to Auditing Company:** All audits are to be conducted to the USC Code of Conduct & FLA Monitoring Benchmarks unless otherwise specified above (in which case please contact us to confirm that audit scope requested conforms to USC's requirements). When the audit is completed, please submit a copy of the report to: 1) the factory, 2) the requesting licensee and company paying for the audit (specified above) and 3) to USC via e-mail to [trdmrks@usc.edu](mailto:trdmrks@usc.edu). All questions can be directed to [trdmrks@usc.edu](mailto:trdmrks@usc.edu).

## **5.2 Appendix B: USC Preferred Third-Party Auditing Firms**

### ***ELEVATE***

22 Battery Street, Suite 508  
San Francisco, CA 94111  
(415) 440-4141  
[www.elevatelimited.com](http://www.elevatelimited.com)

#### **Contacts:**

Kate Polakiewicz  
[kpolakiewicz@elevatelimited.com](mailto:kpolakiewicz@elevatelimited.com)

OR

Amena Mian (Global Coordinator)  
[amian@elevatelimited.com](mailto:amian@elevatelimited.com)

**Approved for:** Asia (including China, India, Pakistan, Bangladesh, Vietnam, Sri Lanka, Indonesia, Thailand), and Middle East, North America, Latin America

### ***ACCORDIA GLOBAL COMPLIANCE GROUP***

1961 Wehrle Drive, Suite 2  
Williamsville, NY 14221  
(716) 635-0566  
[www.accordiausa.com](http://www.accordiausa.com)

#### **Contact:**

Richard Ingrao  
[ringrao@accordiausa.com](mailto:ringrao@accordiausa.com)

**Approved for:** United States, Canada and Latin America

### ***VERITE'***

44 Belchertown Rd.  
Amherst, MA 01002  
(413) 253-9227  
[www.verite.org](http://www.verite.org)

#### **Contact:**

Robin Jaffin  
[rjaffin@verite.org](mailto:rjaffin@verite.org)

**Approved for:** Worldwide

**Note:** *Verite' specializes in the development of comprehensive social responsibility programs for their clients. If you are interested in using Verite' for the purposes of a social compliance audit only, we suggest contacting one of the other monitors listed above.*

**Additional Information:**

- USC is willing to review licensee requests to use an auditing firm that is not included in the above list. These will be handled on a case-by-case basis, and will only be accepted under special circumstances.
- If a licensee's factory is in a region not listed above, please contact USC to coordinate the selection of an auditing firm.
- If a licensee's factory has been audited within the past six (6) months and the factory is able to share that report (even if the audit was not conducted by one of the auditing firms listed above), USC will review to determine if an additional audit is necessary at that time.



## **5.3 Appendix C: USC Assessment Reference**

- **Audit Types:**  
**“Unannounced with 2 week announced window” – Initial Audits and Follow-Up Audits:**  
  
Written confirmation (fax or email) of the audit window must be received from the factory before proceeding.
  
- **Reference Documents for In-field Assessment:**
  1. Standard internal field documents
  2. USC Code Of Conduct
  3. FLA Standard Monitoring Benchmarks
  
- **Report Documents:**
  1. Licensee Assessment Report
  
- **Digital Photos:**
  - OK - With approval from facility management.
  - Photos should be kept to a minimum and only photos should be taken that are necessary to better capture the details of a finding or the severity and context of the finding.
  - Digital cameras should also be set on the lowest resolution possible to allow of easy sending via e-mail.
  
- **Initial / Complete Audit Components:**
  1. Opening Meeting / Mgmt Interview
  2. Factory Tour
  3. Employee Interviews 1
  4. Document & Record Review (Hours & Payroll Calculation)
  5. Confidential Employee Interviews 2
  6. Closing Meeting
  
- **Follow-Up Audit Procedures:**

The main objective of a Follow-Up Audit is to verify if corrective actions have been taken in response to findings from a Complete / Initial Audit.
  
- **Report Submission:**

Finalized reports should be submitted at the same time to:

  1. USC Trademarks & Licensing: [trdmrks@usc.edu](mailto:trdmrks@usc.edu)
  2. The Licensee contact

## **5.4 Appendix D: Frequently Asked Questions (FAQ)**

### **Our company doesn't have a dedicated Corporate Social Responsibility (CSR) resource. Who should take on this responsibility?**

The CSR contact should be an individual who has visibility into the supply chain and can communicate code of conduct expectations to manufacturers. Ideally, the CSR contact has experience with the implementation of codes of conduct, but this is not essential.

### **What is USC's definition of a "Factory"?**

A "factory" is the actual location where the manufacturing of USC branded product or components takes place. The agent's or vendor's name or address alone is not sufficient to meet our factory disclosure requirements. USC requires the actual site where the product is manufactured to be disclosed and monitored.

If you are scheduling an audit, please confirm that you have the address of the physical location where the manufacturing is conducted. You may find that the address you have is the location of an office or showroom. Facilities that produce component parts that do not bear the USC brand are typically not required to be audited at this time.

### **What are USC's requirements for companies that manufacture products bearing the trademarks of the university?**

Interested companies are required to apply for a license in order to brand consumer products with USC trademarks. Those companies that demonstrate the ability to produce a high quality product manufactured in compliance with USC's *Workplace Code of Conduct* are granted licenses, after which they are considered a *licensee* of USC. In most cases, a new licensee will need to implement a social responsibility program prior to the award of a license.

### **Why does USC require licensees to conduct social responsibility compliance audits of its factories and suppliers?**

As part of the licensing agreement, licensees are contractually obligated to adopt USC's *Workplace Code of Conduct*. These standards conform to international standards set by the International Labor Organization (ILO) and agreed upon by countries throughout the world. Unfortunately, some countries do not take a proactive role in enforcing these standards. Therefore, licensees are required to submit to third-party social compliance audits in an effort to help ensure that the code of conduct is being followed.

### **What steps must USC licensees take to have an acceptable compliance program?**

Licensee requirements are as follows:

- Ensure that the USC *Workplace Code of Conduct* is being implemented in the licensee's manufacturing process. This is done with the assistance of a qualified third-party monitor that will conduct regular audits of the facilities in which the licensed products are manufactured
- Remedy identified exceptions to the code of conduct in a timely manner
- Available for unannounced USC review of their facilities at the university's discretion

### **Many companies already use factories that are certified by other retailers, certification programs, and brands. Are those reports sufficient?**

No. Various retailers and licensing programs may not have the same code of conduct or the same standards as USC. USC is willing to review such certifications; however these are generally considered as a supplement instead of a replacement for the university's own social responsibility requirements.

### **Do small companies need to follow the same standards?**

Yes. Small companies must also meet the same standard as large ones. Small companies often have a less elaborate supply chain than those of large companies, so the complexity of the task is reduced in many cases.

**What happens if problems are found?**

USC expects licensees to take necessary action to resolve any issues both within their own facility and those of their suppliers. In addition, USC encourages licensees to make every reasonable effort to remedy the situation rather than leave the facility because of a reported problem. Verification of remedies is required, and in some cases follow-up audits are necessary.

**Has USC denied licenses to companies who have not implemented social responsibility into their businesses?**

Yes. USC will commonly turn down prospective licensees that are unable or unwilling to meet the university's requirements. In many cases these companies are actively licensed with other entities. However, USC is committed to take additional steps to ensure that the values of its licensees are in line with those of the university.