Fanatics Apparel, LLC (“Fanatics”) Fair Compensation Statement

DEFINING FAIR COMPENSATION

The United Nations’ International Labor Organization has declared living wages as a basic human right. A living

wage allows workers the ability to earn enough to cover the basic needs for their families and provide for some discretionary income. In its work on living wages, the Fair Labor Association (FLA) leverages the term “fair compensation” to incorporate in-kind benefits contributing to the realization of a living wage.

Despite the FLA’s expectation that workers have access to fair compensation, the calculation and realization implementation of fair compensation in global supply chains is challenging. Wage levels are set by factories based on a myriad of factors, including economic circumstances, cost of living, national and provincial laws, workforce supply and skill set, supplier productivity levels and competitiveness, the recognition of and ability for workers to organize and negotiate, and brand customer planning and purchasing practices.

At Fanatics, our vision is that all workers in our supply chain are compensated fairly. The Fanatics Workplace Code of Conduct outlines this vision clearly and provides detailed workplace benchmarks for our suppliers, inclusive of our compensation requirement: “…Where compensation does not meet workers’ basic needs and provide some discretionary income, each Supplier shall work with Fanatics and the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.” Fanatics is committed to working collaboratively with key stakeholders to implement this vision. While Fanatics is proud of our commitment to ensure fair compensation is realized in our global supply chain, we are keenly aware of the journey ahead to operationalize this vision. Below we outline our foundational accomplishments to date; we look forward to providing updates on our ongoing efforts in this space.

BENCHMARKING FAIR COMPENSATION

As an FLA Accredited Company, Fanatics has worked for several years to align its standards and labor programming with global standards on fair compensation. In 2016, Fanatics updated our Workplace Code of Conduct language to include key provisions on fair compensation. This language ensures supplier compensation schemes meet both a workers’ needs (nutrition, healthcare, shelter, transportation, clothing) and the needs of their dependents, as well as providing for some discretionary income. As part of our fair compensation commitment, Fanatics also adopted the Global Living Wage Coalition’s (GLWC) methodology and benchmarks (where available) as the key indicator to determine whether workers employed by given supplier are earning a living wage. In 2021, Fanatics joined the GLWC Living Wage Corporate Sponsorship program which financially supports the Anker Research Institute. Through this program, the Anker Research Institute can continue providing its groundbreaking research on living wages.

SUPPLIER WAGE DATA ANALYSIS

Since 2019, Fanatics has deployed the FLA Wage Data Collection tool to a sample of our suppliers to secure data on present-day compensation for workers in our supply chain. Fanatics also leverages the FLA’s Fair Compensation Dashboard to evaluate the compensation data against key minimum wage and fair compensation benchmarks, to understand and prioritize the areas of greatest need and visualize progress made in closing any compensation gaps.

OUR APPROACH

In 2020, Fanatics developed a Fair Compensation Strategy which provides a multi-year roadmap that focuses on our efforts and reports on our progress. The strategy outlines six key levers through which Fanatics will work to positively impact fair compensation levels in our global supply chain.

Legal Obligations

In accordance with our Workplace Code of Conduct, Fanatics suppliers are required to 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. Fanatics monitors Tier 1 cut, sew, and embellishment suppliers on an annual basis via a third party to determine supplier minimum/prevailing wage compliance. Upon the identification of any violations of legally mandated compensation, Fanatics works with the supplier to ensure the violation is remedied, and a management system is developed to prevent reoccurrence.

Responsible Planning and Purchasing

A core component of Fanatics’ Fair Compensation strategy is our commitment to Responsible Planning and

Purchasing (RPP), which recognizes the role brand purchasing practices can play in impacting working conditions on the factory floor. In fact, the industry now recognizes that improvement in brand customer planning and purchasing practices can support progress in worker wage levels at the supplier level. Through Fanatics' Accreditation process with the FLA, we have received meaningful feedback on our RPP practices, and continue to employ these insights to in partnership with our. Improvement in RPP practices serves as a major leverage point for Fanatics to support its suppliers in realizing fair compensation for workers.

Productivity Gains

Across the industry, production inefficiencies have been found to cause both overtime premium and minimum wage violations by factories, among other compensation issues. Fanatics supports productivity initiatives and supplier management systems improvements to generate efficiencies. In 2022, Fanatics engaged the trade consultancy Impactt to identify and mitigate practices with our key suppliers in Bangladesh that can inhibit progress towards fair compensation levels.

Supplier Compensation Management Systems

As part of our Fair Compensation Strategy, Fanatics works closely to train our suppliers on devising compensation management systems that attract, reward, and retain their workforce.

Government Engagement Channels

The United Nations has made clear the role of Governments both to protect and uphold human rights, including the right to a living wage. Governments are a key stakeholder in realizing fair compensation for workers in global supply chains. Through Fanatics' affiliation with multi-stakeholder organizations such as the FLA, Fanatics strives to support constructive engagement with governments in countries of manufacture where wage levels are not aligned with fair compensation benchmarks.

Covid-19 has wreaked havoc on global supply chains. In countries where social safety nets do not afford workers financial relief, the situation was particularly dire. In conjunction with apparel industry stakeholders, Fanatics has endorsed the ILO Call to Action in the Global Garment Industry, which was developed to stimulate action within the industry to support manufacturers during the COVID-19 pandemic and to protect garment workers' income, health, and employment.

Industrial Relations and Social Dialogue

Where government-set minimum wage levels do not meet basic needs and provide for discretionary income, it is important for bi-partite social dialogue structures to exist for suppliers and their workers to align on how to progressively close the gap. Through our multi-year strategy, Fanatics will continue to encourage constructive social dialogue with all its supplier partners, as well as train suppliers on best practices identified in incorporating unions and worker representative structures into fair compensation benchmarking and dialogue efforts. Such engagement also includes regular consultation with civil society organizations (CSOs) on worker rights programming.

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