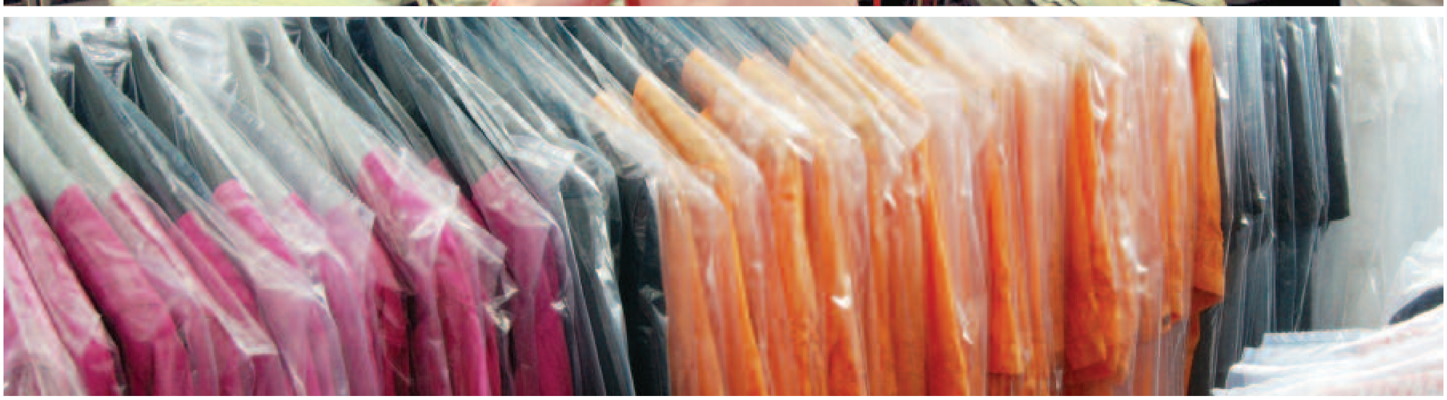



Toward a Safe, Just Workplace:

Apparel Supply Chain Compliance Programs

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Note: Some people have moved to other organizations since their participation in this project. They are listed with the organizations with which they were affiliated at the time of their participation.

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Executive Summary

“Toward a Safe, Just Workplace: Apparel Supply Chain Compliance Programs” provides comparable baseline data by which to evaluate the social compliance programs of major apparel companies in the U.S. market. The report ranks companies on resources devoted to compliance and initiatives in ten key areas: code of conduct, auditing, remediation, scorecard, preferred suppliers, continuous improvement, purchasing, collaboration, management accountability, and transparency.

The survey was circulated to 33 of the largest apparel brands and retailers by market capitalization traded on U.S. bond and equity exchanges, 15 of which responded. Five of those companies based their responses on their apparel business, while the other companies based them on their entire supply chain and estimated what percentage of that was devoted to apparel. The survey results indicate that many of the companies allocate substantial human and financial resources to ensure compliance with and implementation of codes of conduct.

OVERALL SCORE	Levi Strauss & Co	Wal-Mart Stores, Inc.	Gap Inc.	Hanesbrands Inc.	Nordstrom, Inc.	Gildan Activewear Inc.	Target Corporation	J. C. Penny Company, Inc.	American Eagle Outfitters, Inc.	Columbia Sportswear Company	V.F. Corporation	Under Armour, Inc.	AnnTaylor Stores Corp.	Liz Claiborne, Inc.	Jones Apparel Group, Inc.
GENERAL/CODE OF CONDUCT	A	A	A	A	A	A	A-	A	A	B+	A-	B+	B	B+	B-
AUDITING	B+	B+	B	A	B+	B+	C	B-	C+	B-	C-	B-	C-	B	C
REMEDIATION	A-	A-	A-	A	A-	B	B-	A	B	B-	B-	A-	B-	B-	B-
SCORECARD	A-	B+	B	F	A	C-	A-	A	C-	A-	F	C-	B-	C-	F
PREFERRED SUPPLIERS	A	A	F	F	A	F	A	A	F	C	F	F	F	F	F
CONTINUOUS IMPROVEMENT	C+	C	B+	A-	B+	B+	C+	D+	C	D+	C	D-	D+	D	D+
PURCHASING PRACTICES	A-	A-	B	B+	D-	B-	B-	B+	F	F	C	C+	F	F	F
COLLABORATION	A	A-	A	B+	C+	B-	B-	D-	B+	B-	C+	D-	C-	B+	B-
MANAGEMENT ACCOUNTABILITY	C	C+	B-	D+	D+	C-	F	F	D+	F	F	D+	D+	D+	F
TRANSPARENCY	A	A	A	A	A	A	A	A	C+	F	C+	F	A	F	A
TOTAL SCORE	3.4	3.3	3.2	3.2	3.1	3.0	2.7	2.6	2.3	2.0	1.9	1.9	1.9	1.9	1.9
FINAL GRADE	**B+**	**B+**	**B**	**B**	**B**	**B**	**B-**	**C+**	**C+**	**C**	**C-**	**C-**	**C-**	**C-**	**C-**

Companies were scored based on their responses to the survey. The grades in this scorecard do not fall into a particularly wide range – signaling that there are standard practices in the industry that these companies uphold. Levi Strauss & Co. and Wal-Mart Stores, Inc. received the highest grade of “B+,” with the lowest grade, “C-“, given to V.F. Corporation, Under Armour, Inc., AnnTaylor Stores Corp., Liz Claiborne, Inc., and Jones Apparel Group, Inc. The 18 Companies that did not respond to the survey are listed in Appendix A.

Key Findings:

- The highest overall scores are in the Code of Conduct section (average grade, A-). This indicates that companies have codes of conduct in place and that those codes are publicly available. Company scores differed based on to whom the code applies and by whom it is enforced.
- The second highest overall scores are in the Remediation section (average grade, B+). This demonstrates that the majority of the companies say that they have processes to follow-up on the findings of their audits and that they have remediation mechanisms in place.
- The lowest overall scores are in the Management Accountability section (average, D) with the highest score in that section (B-) awarded to Gap Inc. Holding executives accountable for social compliance is new in the industry and needs be further developed and implemented.
- Companies are increasingly collaborating – through shared trainings and audits in factories that are used by many brands, stakeholder engagement, and working with local and regional governments. Collaborations are a key tactic for improving conditions in apparel factories and in regions with less stringent rule of law.

Notable best practices by individual companies based on survey responses:

- While other companies scored higher in the critical area of continuous improvement, Gap Inc. and Levi Strauss & Co. provided the most concrete examples of specific programs and policies they are engaged in to promote continuous improvement, a crucial factor in fostering long-term compliance.
- Target Corporation is the only company which reported that unannounced visits are a requirement of its auditing process, but 100% of Columbia Sportswear Company, AnnTaylor Stores Corp., and Hanesbrands, Inc. audits are also unannounced.
- Hanesbrands said that all of its initial and yearly audits are verified independently.
- Gildan Activewear, Inc. responded that it does a root cause analysis for each corrective action in an effort to eliminate persistent non-compliance.
- All respondents stated that they have a pre-approval process before initiating business with a facility.

Recommendations:

As You Sow's research finds that in order for apparel brands and retailers to continue to improve compliance both with their codes of conduct and conditions for workers, companies should:

- put more resources into continuous improvement – working with suppliers to build management capacity, training workers and managers on labor rights and health and safety, as well as tracking key performance indicators;
- place greater emphasis on initiatives specifically aimed at empowering workers;
- integrate factory compliance performance into compensation for executives in headquarters. Evaluating executives on working conditions in factories throughout the supply chain brings attention to workers to center stage;
- analyze their purchasing practices to assess if internal policies could be exacerbating compliance violations and commit resources to improve those practices;
- develop more sophisticated technology to track the resolution and recurrence of compliance violations; and
- increase detailed public reporting on specific supply chain audit findings and remediation actions.

Introduction

Globalization and the outsourcing of U.S. manufacturing to developing countries over the past two decades has simultaneously been praised as an opportunity to provide jobs to millions of desperately poor people and derided as an exploitative "race to the bottom" by companies interested only in cheap labor.[1] With most production currently outsourced, the remoteness of production locales and large number of factories make it difficult for researchers to obtain accurate data on factory working conditions.

Investment firms that screen their portfolio holdings on social and environmental issues require comparable data to be able to evaluate a company's treatment of its supply chain employees. The goal of this report is to increase transparency on company initiatives and the quality of compliance data available to the social research community and other stakeholders. The survey asked companies about activities in which they engage to audit their supply chains and actions taken to ensure better factory working conditions. The results of the survey are presented as a scorecard that ranks companies' efforts to monitor and improve factory working conditions.

The report provides detailed, analogous data on supplier standards compliance and initiatives in ten key areas: code of conduct, auditing, remediation, scorecard, preferred suppliers, continuous improvement, purchasing, collaboration, management accountability, and transparency (for the weights awarded to each category, see Appendix B). The survey was circulated to 33 of the largest apparel brands and retailers by market capitalization traded on U.S. bond and equity exchanges of which 15 companies responded. The report is based on company-supplied data. Five of the companies based their responses on their apparel business, the others based it on their entire supply chains and estimated what percentage of that was devoted to apparel [See Appendix C].

Background

Abusive and exploitive sweatshop conditions, especially in the apparel industry, have existed in the United States since the early 19th century. The development and enforcement of labor laws reduced sweatshop conditions in the U.S., but with the rapid onset of globalization in the late 20th century, apparel companies increasingly sourced production from abroad in order to remain competitive. Sourcing decisions were mainly based on cost and companies who had established standards for working conditions in the U.S. did not demand similar working conditions abroad.

In the 1990s domestic and foreign sweatshop abuses uncovered by NGOs captured the attention of the American public. Sustained media attention was paid to the discovery of child workers in a maquiladora factory in Honduras making clothing for Kathy Lee Gifford's Wal-Mart line, immigrant workers held under slave conditions in El Monte, CA, and child labor and forced overtime found in a Gap Inc. supplier factory in El Salvador. Discoveries of similarly egregious conditions were found in the supply chain of almost every major apparel brand.[2]

Labor rights activists, activist investors, and the Clinton administration began to hold the brands and retailers accountable for the conditions in their supply chains. In 1995, President Clinton introduced a general code of conduct – "Model Business Principles" encouraging "all businesses to adopt and implement voluntary codes of conduct for doing business around the world."[3] In 1996, the White House Apparel Industry Partnership was formed to write a set of basic labor standards to govern factories and factory suppliers of participating companies and "to develop options to inform consumers that the products they buy are not produced under exploitative conditions."[4]

Labor rights activists and socially conscious investors pressed major apparel and footwear brands to take responsibility for working conditions in their supply chains. "Since 1991, religious shareholders have waged a steady campaign for improvements in wages and working conditions in the maquiladora assembly plants on the Mexican border."[5] Numerous shareholder proposals were filed throughout the 1990s. The goal of the shareholder proposals was "to manage the risk of the companies (a) becoming a party to serious rights violations in the workplace or (b) appearing to benefit from such violations."[6]

Shareholders have pressed companies to: develop strong codes of conduct; actively enforce codes through third-party monitoring with independent verification; and publicly report on monitoring and compliance efforts using a standardized reporting mechanism, such as the Global Reporting Initiative (GRI) apparel and footwear sector supplement.[7]

Unfortunately governments, investors, and consumers' efforts to move companies to improve working conditions in factories by auditing their suppliers spawned a new industry designed to deceive auditors and conceal abuses. A 2006 *Business Week* cover story, "Secrets, Lies and Sweatshops," showed that many Chinese factories used newly-developed software to manage double and triple sets of books and/or hired consultants to coach employees on how to lie about factory conditions when interviewed by auditors.[8]

In order to counter suppliers' increased and more sophisticated tactics to hide compliance violations, some companies have invested large amounts of staff time and financial resources to better monitor and engage their suppliers. The following report highlights company programs and activities as they move towards procedures that increasingly include working with suppliers to empower managers and workers, engaging with local governments to ensure working conditions, and implementing continuous improvement practices in the factories.

SCORECARD AND REPORT

Code of Conduct

A Supplier Code of Conduct is a document that outlines the working conditions that manufacturers want upheld in their contracting factories – "a set of principles indicating how an organization expects its members to act."[9] The International Labour Organization (ILO), through its Conventions and Recommendations, has developed labor standards that many non-governmental organizations support and individual corporations have incorporated into their own codes of conduct. It is voluntary for companies to establish codes of conduct. However, companies that have established a code typically require suppliers to adhere to the code as part of doing business with the company.

GENERAL / CODE OF CONDUCT	Gildan Activewear Inc.	Levi Strauss & Co	Wal-Mart Stores, Inc.	American Eagle Outfitters, Inc.	Hanesbrands Inc.	Gap Inc.	Nordstrom, Inc.	J. C. Penny Company, Inc.	V.F. Corporation	Target Corporation	Liz Claiborne, Inc.	Under Armour, Inc.	Columbia Sportswear Company	AnnTaylor Stores Corp.	Jones Apparel Group, Inc.
Code of Conduct	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Publicly Available	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Consistent with ILO Conventions	A	A	A	A	A	A	A-	A	A	B	A	A	A	A-	B-
Tiers to Which The Code Applies and is Enforced	A	A	A	A-	A-	A-	A	B	B-	A	C	C	C-	D	D+
GRADE	**A**	**A**	**A**	**A**	**A**	**A**	**A**	**A**	**A-**	**A-**	**B+**	**B+**	**B+**	**B**	**B-**

Most codes of conduct address basic rights for workers – maximum hours, minimum wage, minimum age, freedom of association – and are provided to contracted suppliers who are required to adhere to the standards.

All of the companies surveyed scored well on having publicly available Supplier Codes of Conduct. Yet they differ on two aspects. First is on the number of the ILO eight core labor conventions addressed in their codes. While most respondents said their codes are consistent with all eight conventions, the inclusions and exclusions are indicators of which workers' rights companies are committed.

ILO CONVENTIONS	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Nordstrom, Inc.	Target Corporation	Under Armour, Inc.	V.F. Corporation	Wal-Mart Stores, Inc.
(C29) Forced Labor	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
(C87) Freedom of Association and Protection of the Right to Organize	•	•	•	•	•	•	•	•		•	•	•	•	•	•
(C98) Right to Organize and Collective Bargaining	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
(C100) Equal Remuneration	•	•	•	•	•	•	•	•	•	•	•		•	•	•
(C105) Abolition of Forced Labor	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
(C111) Discrimination (Employment and Occupation)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
(C138) Minimum Age for Work	•	•	•	•	•	•	•	•		•	•	•	•	•	•
(C182) Worst Forms of Child Labor	•		•	•	•	•	•	•		•	•	•	•	•	•

Second, they differ on to whom the code of conduct applies and by whom it is enforced. Companies such as Gildan Activewear Inc., Hanesbrands Inc., Levi Strauss & Co., Under Armour, Inc., and V.F. Corporation that own some supplier factories apply their codes in all of their factories, and all of the companies that responded to this question enforce their codes in the factories of their Tier 1 suppliers. Commendably, several companies go even further. Two-thirds of the companies also enforce their codes among their Tier 2 suppliers, and Gap Inc., Hanesbrands, Levi Strauss & Co., Target Corporation, and V.F. Corporation said that they enforce their codes among additional tiers of suppliers.
With current controversies about child labor and exploitation involved in raw material sourcing, activists and shareholders

have pressed companies to begin to address social justice and environmental issues through their entire supply chains. Hanesbrands, Jones Apparel Group, J.C. Penney Company, Nordstrom, Inc., Target Corporation, and V.F. Corporation said that they are now implementing their codes at the raw materials level and enforce them by themselves or require their suppliers to enforce them.

Auditing

Adopting a code of conduct does not ensure that the contracted supplier is complying with each point in the code. In order to see how (or whether) suppliers are complying by the codes they have signed on to uphold, brands monitor suppliers via audits.

To better understand the magnitude of the challenge of monitoring a supply chain, the following chart displays with how many suppliers each company works. The chart is divided into "active suppliers" – businesses with which the company has placed an order in the last year – and "facilities" – factories producing orders for the company.

# SUPPLIERS / FACILITIES	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Nordstrom, Inc.	Target Corporation	Under Armour, Inc.	V.F. Corporation	Wal-Mart Stores, Inc.
How Many Active Suppliers is the Company Using		220	226	550	4	238	2400		505		350	1350	120		8500
How Many Active Facilities is the Company Using	317		464	1027	20	455	1850	400-500	865	300	600	4400	120	1550	8900

Auditing is the first step towards improved compliance providing a baseline of information upon which training and remedial actions can be built. It is, also, a voluntary compliance activity by which companies decide how to interpret and enforce their codes of conduct. The lack of standardized codes and auditing can lead to conflicting and sometimes contradictory approaches. Does monitoring exist to protect brands from consumer backlash, facilitate production, protect workers, or empower workers? Depending on the perceived objectives and an analysis of how audits are carried out, programs may succeed or fail on different counts. Brands that have their auditors check off boxes but do little else such as interviewing workers outside of the factory may be open to charges they are doing the minimum just to protect themselves from criticism rather than out of genuine concern for the workers who make their products. An interview by the Clean Clothes Campaign, an alliance of activist organizations dedicated to improving working conditions, found that workers felt that, "Auditing is more about securing orders than improving the welfare of the workers, that is why the management only make cosmetic changes to impress the auditors and not to better the conditions of workers...."[10] Therefore, it is vital that companies have a strong auditing process that provides an honest assessment of supplier compliance.

AUDITING	Hanesbrands Inc.	Levi Strauss & Co	Wal-Mart Stores, Inc.	Gildan Activewear Inc.	Nordstrom, Inc.	Gap Inc.	Liz Claiborne, Inc.	Columbia Sportswear Company	Under Armour, Inc.	J. C. Penny Company, Inc.	American Eagle Outfitters, Inc.	Jones Apparel Group, Inc.	Target Corporation	AnnTaylor Stores Corp.	V.F. Corporation
Policies	A	A	A	D	A	A	B	B	A	A	A	D	A	A	A
Approval Process for New Suppliers	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Percentage of Supplier Factories Currently Monitored	A	C-	A	A	A	A	B+	A	A	A	B+	A	C+	F	A
Percentage of Audits Unannounced	A	A	A	A	D	C-	C	A	F	D	F	D+	A	A	F
Auditors Trained/Certified by Third Party	A	A	A	A	A	A	A	A	A	A	A	F	A	F	A
Auditors Familiar With Local Language(s) and Culture(s)	A	A	A	B	A	A	B	A	B	A	B	A	A	B	D
Off-Site Interviews	A	A	A	A	A	A	A	A	F	F	A	A	F	A	F
Percentage Using Off-Site Interviews	A	A	F	D	C	F	F	C	F	F	D-	A	F	F	F
Third Party Verification of Audits	A	A	A	A	A	A	A	F	A	A	F	F	F	F	F
Percentage Of Audits Verified	A	D	B-	A	C	F	C	F	A	C-	C-	F	F	F	F
GRADE	**A**	**B+**	**B+**	**B+**	**B+**	**B**	**B**	**B-**	**B-**	**B-**	**C+**	**C+**	**C**	**C-**	**C-**

The survey results indicate that most of the companies have policies in place to address the most egregious violations by suppliers. 73% of the companies in this data set have policies to address falsification of data, bribery of auditors, and coaching and threatening workers. J.C. Penney Company, also addresses its suppliers' suspension policies, and Gap Inc. has policies for unauthorized subcontracting, foreign contract workers, and migrant workers.

All respondents reported that they have an approval processes for new suppliers. Such pre-placement evaluations are important because they help inform companies if suppliers not only have decent working conditions, but also if suppliers will be able to meet their capacity and quality standards. Gildan Activewear developed its own assessment tools in order to "integrate the social compliance requirements of our major retail customers."

Audit frequency is generally focused on facilities shown to have a high risk of non-compliance. For example, Columbia Sportswear Company bases its audit frequency on "risk assessment to factory employees and capacity building programs in place" while Target Corporation uses "a risk model to prioritize countries to audit in." Jones Apparel Group audits "all factories at least once per year but will consider decreasing frequency in low risk countries, based on a given factory's compliance history."

There are differing views on whether audits should be announced or unannounced. Some auditors often prefer announced audits because they enable factories to prepare for the visit, for example by making sure that the right managers are available for interviews or that the relevant documentation is accessible.[11] Other companies prefer unannounced audits because the suppliers do not have the opportunity to "clean up" the factory prior to the auditor's arrival. The not-for-profit social audit organization, Grupo de Monitoreo Independiente de El Salvador (GMIES), based in El Salvador, claims that announced visits "are rich in information because they are top to bottom inspections, while unannounced visits are reserved for follow up on specific points so that monitors can count on the surprise effect."[12]

ILO Core Labor Conventions

The International Labour Organisation (ILO) was founded in 1919 and became the first specialized agency to the United Nations in 1946. The ILO drafts conventions and recommendations that member countries adopt and apply to their workforces. The ILO core labour conventions are considered foundational in international labor rights work.

The eight core labor conventions are deemed by the ILO to be actions all countries should be able to implement, regardless of economic status. Currently, 131 of the ILO's 183 member nations have ratified all eight core labor conventions. The United States has ratified only two.[13]

The eight core conventions are:

- **Forced Labor Convention (no. C29):** "to suppress the use of forced or compulsory labor in all its forms within the shortest possible period."
- **Freedom of Association and Protection of the Right to Organize Convention (no. C87):** the "right of all workers and employers to create and join organizations of their own choosing, without prior authorization."
- **Right to Organize and Collective Bargaining Convention (no. C98):** "protection against acts of anti-union discrimination and workers are afforded the right of collective bargaining."
- **Equal Remuneration Convention (no. C100):** "ensure that male and female workers doing work of equal value receive equal pay or other remuneration."
- **Abolition of Forced Labor Convention (no. C105):** "to suppress and not make use of any form of forced or compulsory labor."
- **Discrimination (Employment and Occupation) Convention (no. C111):** "prohibits the discrimination and exclusion of person from employment and training for any occupation based on race, color, sex, religion, political opinion, national extraction, or social origin."
- **Minimum Age for Work Convention (no. C138):** to "pursue a national policy designed to ensure the effective abolition of child labor and to progressively raise the minimum age for admission to employment to a level consistent with the fullest physical and mental development of young persons." The convention "defines the minimum age for employment to be 15 years of age with some exceptions given to developing countries."
- **Worst Forms of Child Labor Convention (no. C182):** "to eliminate the worst forms of child labor around the world, specifically targeting child slavery, child prostitution, child trafficking, and all work that is hazardous to the health and safety of children."[14]

Most audits are announced in advance.[15] The downside of announced audits is that it provides factory managers with ample time to prepare their facilities for inspections that are not always reflective of daily conditions on the ground. For example, there is a practice of only unlocking medical cabinets and fire exits during the auditor visits and then locking and closing them afterwards. And naturally, given plenty of warning, there are many ways in which the worker interview process can be undermined including instances of coaching or bribing them to lie to auditors.[16]

Gap Inc. and Target Corporation are the only companies which reported that unannounced visits are a requirement of their auditing process, but 100% of Columbia Sportswear Company, AnnTaylor Stores, and Hanesbrands audits are also unannounced. A common approach to unannounced visits was expressed by Wal-Mart Stores. Wal-Mart stated that all initial audits of "new factories are announced, but after that the visits are unannounced."

There are varying views on who should conduct audits as well. Some stakeholders are concerned that commercial auditors hired by brands to monitor their suppliers have a financial incentive to pass suppliers in order to maintain their contracts. If suppliers hire auditors, they might face a similar incentive. As a result, over the past decade, independent verification of suppliers performed by non-governmental organizations or reputable auditing firms with expertise in labor and human rights has evolved as a best practice. Independent verification refers to a separate review of a brand's internal auditors often performed by a commercial or NGO auditor. Independent monitoring is a different practice by which auditing is undertaken by a local human rights or religious organization, or by a hybrid auditor/advocacy group like Verité. Some organizations used by respondents for separate review of their internal audit programs include Fair Labor Association (FLA), International Register of Certified Auditors (IRCA), Social Accountability International (SAI), Verité, and Worldwide Responsible Accredited Production (WRAP).[17]

There can be a significant difference in the accuracy of an audit conducted through a translator, versus when the auditor speaks the local language and is familiar with the local culture. That is why local commercial and independent auditors are preferable.

LOCAL LANGUAGE / CULTURE	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Nordstrom, Inc.	Target Corporation	Under Armour, Inc.	V.F. Corporation	Wal-Mart Stores, Inc.
Fluent in the Local Language(s)	•	•	•	•	•	•	•	•	•	•	•	•	•		•
Familiar With the Local Culture	•	•	•	•	•	•	•	•	•	•	•	•		•	•
Native to the Region			•	•	•		•	•	•	•		•			•

Another practice favored by labor rights advocates is to conduct worker interviews off-site. Independent monitor-oriented groups generally favor off-site discussions while commercial auditors tend to interview only on-site. An auditor for the non-profit organization, Commission for the Verification of Codes of Conduct (COVERCO) in Guatemala, argues that it takes six or seven conversations before they can ask a worker deeply personal questions.[18] The hope is that with this level of investment in time and resources, the interviewer will build trust with the worker and be able to elicit honest responses from workers on the actual factory conditions.

73% of the respondents said that they use off-site interviews in their auditing process for some factories. Columbia Sportswear Company said it uses off-site interviews on a "case by case basis," while Nordstrom uses them "depending on violations and findings," and Wal-Mart Stores "when investigating a factory after allegations" have been raised.

Levi Strauss & Co. uses interviews as part of all of its audits and considers "gathering information from workers to be an integral part of its assessment process. To protect the identity of workers, this process is not conducted in any supplier/ management offices." Levi Strauss & Co. utilizes off-site interviews on 100% of its audits, but its definition of "off-site" includes the "workplace, canteen, dormitory, and any location inside the factory premises where workers are able to speak freely and feels safe/comfortable … If needed, workers are approached outside the facility to further gather information."

Verification of audit results by an independent party is an important way by which the credibility of auditing can be improved. Verification is often done under the auspices of a multi-stakeholder initiative. For instance, member companies of the Fair Labor Association are required to allow 5% of their supply base to be independently audited as a condition of membership.[19]

60% of the companies that responded to the survey have a portion of their audits verified. Hanesbrands is a leader in this area, stating that 100% of its initial and yearly audits are verified by a combination of service providers. The companies surveyed used several organizations to verify their audits. The most common were Bureau Veritas (BV), COVERCO, GMIES, FLA, Intertek, Sedex Members Ethical Trade Audit (SMETA), Verité, and WRAP.[20] Gap Inc. notes that it "commissions verifications when we feel it will provide additional public assurance or when we believe a common third-party audit will facilitate joint brand action in cases where severe violations are suspected."

Remediation

Remediation is the process by which companies work with suppliers to resolve disputes, address problems in the factory, and improve their scores on audits. Procedures range from alerting factories of their poor audit reports to working with them to develop plans for improvement and training on how to better meet code requirements.

REMEDIATION	Hanesbrands Inc.	J. C. Penny Company, Inc.	Gap Inc.	Levi Strauss & Co	Nordstrom, Inc.	Under Armour, Inc.	Wal-Mart Stores, Inc.	Gildan Activewear Inc.	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Jones Apparel Group, Inc.	Liz Claiborne, Inc.	Target Corporation	V.F. Corporation
Remediation Process	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Follow-Up Process	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
Percentage of Issues Resolved Each Year	A	A	B+	B+	B	B	B-	F	D	F	F	F	F	F	F
Track Recurring Problems	A	A	A	A	A	A	A	A	A	A	A	A	A	A	A
GRADE	**A**	**A**	**A-**	**A-**	**A-**	**A-**	**A-**	**B**	**B**	**B-**	**B-**	**B-**	**B-**	**B-**	**B-**

Each of the companies covered under this study has some elements of a management remediation system in place such as factory alerts, corrective action plans, or training. 33% of the companies state that some of their suppliers are SA8000 (or similar) certified, 87% are developing internal auditing and compliance capabilities among their suppliers, and 80% are training their factory managers and suppliers on compliance. Only Gap Inc., Gildan Activewear, and Hanesbrands are doing all three.

The main follow-up procedures utilized among suppliers are: alerting the factory to violations; creating a corrective action plan; and providing follow-up training and implementation. In addition, Columbia Sportswear offers a "collaborative training/capacity building program with brands, government, and service providers." Gildan Activewear does a "root-cause analysis for each corrective action to eradicate persistent non-compliance situations." Jones Apparel Group has both project-based assistance as well as staff that work with factories on an ongoing basis. Levi Strauss & Co. works "with other brands and, where available, encourages suppliers to participate in industry issue-specific training" and Wal-Mart Stores offers an "Orange School Plus" where nominated facilities are offered customized management systems training.

Two companies indicated that they resolved high levels of violations promptly. J.C. Penney Company was the only respondent to state that it resolved 100% of violations identified through its audits for 2007 and 2008. Hanesbrands said it resolved approximately 85% in 2007and 90% in 2008.[21] Levi Strauss & Co. does not claim to resolve all violations in a given calendar year, but it does track the compliance of its suppliers against resolving "Immediate Action" issues, a timeline for resolving the issues, the number of recurring issues, and an assessment rating.

Although all of the companies track recurring problems, most said they do not currently have the technology to track the percentage of violations that were resolved. American Eagle Outfitters said that "we manually track open issues on all outstanding Corrective Action Plans, but we do not currently have the IT system capability to track this information in an aggregated manner." Gap Inc. is "working on an upgrade to our tracking system to enable us to track specific percentages in the future," while Nordstrom "operates on a continuous improvement model and does not hold factories accountable for meeting a certain percentage of 'closed' issues."

Supplier Scorecard

Brands use supplier scorecards to evaluate suppliers on a range of drivers – from timeliness of orders to quality to social compliance. Scores are used both to pre-screen factories under consideration to be a new supplier and to rate the performance of current suppliers. The value-add of scorecards is that suppliers have a clear understanding of what the criteria are on which they are being measured, what steps they need to take to improve, and their performance relative to their peers.

SCORECARD	Nordstrom, Inc.	J. C. Penny Company, Inc.	Columbia Sportswear Company	Levi Strauss & Co	Target Corporation	Wal-Mart Stores, Inc.	Gildan Activewear Inc.	Gap Inc.	AnnTaylor Stores Corp.	American Eagle Outfitters, Inc.	Liz Claiborne, Inc.	Under Armour, Inc.	Jones Apparel Group, Inc.	Hanesbrands Inc.	V.F. Corporation
Supplier Scorecard	A	A	A	A	A	A	A	A	A	A	A	A	F	F	F
Transparent Process	A	A	A	A	A	A	A	A	A	F	F	F	F	F	F
Use of Scorecard	A	A	B	B	B	C	C	D	F	D	F	F	D-	D	D
GRADE	**A**	**A**	**A-**	**A-**	**A-**	**B+**	**B+**	**B**	**B-**	**C-**	**C-**	**C-**	**F**	**F**	**F**

73% of the responding companies have a supplier scorecard and 72% of the companies with scorecards inform their suppliers of the criteria and ranking process.

Each company has slightly different criteria in their supplier scorecards, and different weights for those criteria. All of the companies that responded to this question have categories for Quality and Social Compliance on their supplier scorecards, with the majority also including Price and On-time Delivery.

Only one company, Gap Inc., evaluates suppliers on Innovation, while Nordstrom also looks at a supplier's Design Capabilities. Levi Strauss & Co.'s supplier scorecard weights social audit results highest, 70%. Jones Apparel Group informally uses the "social compliance score in the allocation process." Target Corporation does not weigh social compliance information on a percentage basis and instead replied that "if there are negative social compliance results, that information outweighs other criteria."

The majority of the companies use supplier scorecards to determine if a supplier should be disengaged, followed by equal number of companies using scorecards to determine if a supplier should Receive More Orders and become a Preferred Supplier. Hanesbrands uses supplier scorecards to "determine whether to do business with a supplier." American Eagle Outfitters uses it as a "reference tool for determining key vendors in Sourcing Strategy meetings." Gap Inc. uses the scorecard to "make placements and for vendor development purposes" while a good rating could allow Levi Strauss & Co. to "reduce monitoring or [allow a facility] to do self-assessments."

A scorecard evaluating social issues is still a relatively new compliance tool and a work in progress. A recent Business for Social Responsibility (BSR) study of 14 companies reported that only five of those companies are satisfied with their scorecards.[22]

Preferred Suppliers

Being designated as a "preferred supplier" is a reward for vendors that meet compliance, capacity, and quality benchmarks and may come with preferential, additional, or consistent orders, or more complex designs. As with any program focused on ranking or rating a vendor, or putting a company on a Designated Supplier List, it is crucial to have a transparent process.

PREFERRED SUPPLIERS	J. C. Penny Company, Inc.	Levi Strauss & Co	Nordstrom, Inc.	Target Corporation	Wal-Mart Stores, Inc.	Columbia Sportswear Company	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Gildan Activewear Inc.	Hanesbrands Inc.	Jones Apparel Group, Inc.	Liz Claiborne, Inc.	Gap Inc.	Under Armour, Inc.	V.F. Corporation
Preferred-Supplier Program	A	A	A	A	A	A	F	F	F	F	F	F	F	F	F
Suppliers Informed of Criteria and Rankings	A	A	A	A	A	F	F	F	F	F	F	F	F	F	F
GRADE	**A**	**A**	**A**	**A**	**A**	**C**	**F**	**F**	**F**	**F**	**F**	**F**	**F**	**F**	**F**

40% of the companies that responded to the survey have Preferred Supplier programs. Of those companies, all but one inform their suppliers of the criteria for Preferred Supplier status. Levi Strauss & Co., which is transparent about the criteria for its Preferred Supplier program identifies "key strategic suppliers based on their performance (e.g. manufacturing quality, Terms of Engagement, etc.), competency, capability, etc. These suppliers generally get most of the sourcing volume."

Continuous Improvement

A critique of auditing is that it is a snapshot of conditions and does not provide the tools and resources to factory managers or workers to improve situations and sustain improvements. In many instances, compliance progress is short-lived and code violations resurface.[23] As a result, continuous improvement models have evolved as part of remediation efforts. These models and programs involve identifying Key Performance Indicators (KPIs) and working with factories to set goals and to train managers and workers on how to meet these benchmarks.

CONTINUOUS IMPROVEMENT	Hanesbrands Inc.	Gildan Activewear Inc.	Gap Inc.	Nordstrom, Inc.	Levi Strauss & Co	Target Corporation	Wal-Mart Stores, Inc.	V.F. Corporation	American Eagle Outfitters, Inc.	Jones Apparel Group, Inc.	Columbia Sportswear Company	J. C. Penny Company, Inc.	AnnTaylor Stores Corp.	Liz Claiborne, Inc.	Under Armour, Inc.
Compliance Improvement Goals Set	A	A	A	A	A	A	A	A	A	F	F	F	A	F	F
Percentage of Suppliers Worked With to Improve:															
Audits/Remediation	A	A	A	B	A	A-	A	A	A-	A	A	A	F	B+	A
Capacity Building	A	F	A	C-	F	C-	D	C	F	B-	F	F	F	F	F
Other	A-	A	A	F	F	A-	F	F	F	F	F	F	F	F	F
Training For Suppliers	A	A	A	A	A	A	A	A	A	A	A	A	A	A	F
Percentage of Suppliers That Receive Training In:															
Labor Rights (Management)	A	A	C	A	C	F	C-	F	F	F	A	F	F	F	F
Labor Rights (Workers)	A-	A	C	A	D	F	F	F	F	F	F	F	F	F	F
Health and Safety (Management)	A	A	C	A	C-	F	C-	D	F	F	A	F	F	F	F
Health and Safety (Workers)	A-	A	C	A	D	F	F	D	F	F	F	F	F	F	F
Other	A-	F	C	F	B+	A	F	F	F	F	F	F	F	F	F
Supplier Disengagement Policy	A	A	A	A	A	A	A	A	A	F	A	A	A	F	F
KPIs Tracked	A	A	A	A	A	A	A	A	A	A	F	A	A	A	A
Which KPIs	A-	A-	A	B	A-	B	A-	F	B+	C+	F	C-	F	D+	B+
GRADE	**A-**	**B+**	**B+**	**B+**	**C+**	**C+**	**C**	**C**	**C**	**D+**	**D+**	**D+**	**D+**	**D**	**D-**

Two-thirds of the companies set compliance improvement goals. 80% of the respondents said they work with more than 75% of their suppliers on continuous improvement via audits and remediation. But these are just the most basic forms of pursuing continuous improvement. Only two companies, Gap Inc. and Hanesbrands, indicated that they work with more than 75% of their suppliers via capacity building. Capacity building is the category in which the least amount of companies is currently active, yet studies indicate that training both management and workers is a critical element in developing internal capacity to assess social compliance.[24]

Training is crucial in order to build capacity among suppliers. One-quarter of respondents provide more than 75% of suppliers with some form of management training in Labor Rights, but 53% of the respondents provide no such trainings at all. Only Gildan Activewear and Nordstrom provide more than 75% of the workers in their supplier factories training in Labor Rights, while two-thirds of the companies provide no such training to workers. Columbia Sportswear Company, Gildan Activewear, Hanesbrands, and Nordstrom provide more than 75% of the managers in the factories training in Health and Safety, while 47% provide none. Gildan Activewear, Hanesbrands, and Nordstrom provide more than 75% of the workers that same training, while Hanesbrands provides it to more than 75% of supervisors. 60% of the companies provide no health and safety training at the worker level.

In addition to the types of trainings in the survey, Levi Strauss & Co. also trains its suppliers on “chemical use, labor relations, environment, waste water, environmental health and safety, human resources management, cleaner production, and restricted substances.” Gap Inc. also invests in programs that “seek to improve the industry overall and are not limited to Gap Inc. suppliers. The Continuous Improvement in the Central American Workplace (CIMCAW) is a good example of this.” According to Gap Inc.’s website, “CIMCAW’s success was founded on partnerships including global brands and such groups as the United States Agency for International Development (USAID), the ITGLWF (International Textile Garment & Leather Worker’s Federation), and Social Accountability International. One of CIMCAW’s greatest accomplishments was the formation of committees in Nicaragua, Honduras, and the Dominican Republic that included representatives from local industry associations, unions and the government. Getting these groups to work together was a major breakthrough that took months, sometimes years, to achieve.”[25]

Supplier disengagement policies alert suppliers to what is expected of them in order to maintain orders from a company and the procedures a brand will follow prior to suspending orders. When suppliers do not comply with company standards – be it of quality, timeliness, or social compliance – if the issues are not able to be resolved, brands will disengage the factory. Losing the business of a major brand can be devastating to a factory, so it is critical that the brands have clear supplier disengagement policies and that those policies are communicated to suppliers. All of the companies have supplier disengagement policies except for Jones Apparel Group, Liz Claiborne, and Under Armour.

Key Performance Indicators (KPIs) are a way for companies and suppliers to work together to improve factory performance and conditions by alerting suppliers to areas of importance to brands and communicating about operations. All of the companies, except for Columbia Sportswear Company and Jones Apparel Group, track KPIs for their suppliers and although AnnTaylor Stores tracks KPIs, the company did not indicate which it tracked.

The following chart indicates which KPIs each company tracks.

KPIs	American Eagle Outfitters, Inc.	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Nordstrom, Inc.	Target Corporation	Under Armour, Inc.	V.F. Corporation	Wal-Mart Stores, Inc.
Hours Worked (Including Legal Overtime)	•	•	•	•	•	•		•	•	•		•
Worker Turnover			•	•		•						
Worker Wages	•	•	•	•		•		•	•	•		•
Worker Age	•	•	•	•		•			•	•		•
Worker Injuries			•	•		•				•		•
Worker Compensation and Resolutions			•	•				•		•		•
Worker Discrimination	•	•	•					•	•	•		•
Worker Training	•	•	•			•		•		•		•
Freedom of Association / Collective Bargaining	•	•	•			•		•		•		•
Safe Working Conditions	•	•	•	•		•		•	•	•		•
Number of Audits Per Facility	•	•	•	•	•	•		•	•		•	•
Code Violations Per Facility	•	•	•	•		•	•	•	•	•		•
Supplier Scorecard / Assessment	•	•			•	•	•	•	•	•		•

In addition to the KPIs in this chart, Gap Inc. tracks "forced labor, contract labor, harassment and environmental systems" while Levi Strauss & Co. also tracks "compliance management, juvenile workers, workforce breakdown (e.g. percentage of trainees, local vs. non-local) and disciplinary practices." American Eagle Outfitters tracks "overall compliance ratings" and Target Corporation tracks "vendor performance metrics for the entire factory base."

42% of respondents have KPIs that address worker complaints. Most often, companies provide a hotline number where workers can register complaints. Many of the companies in this report are members of multi-stakeholder initiatives, some of which have formal mechanisms for interested parties to register complaints and those complaints can trigger third-party investigations that may require corrective action. This coordination has proved successful, but in instances without such initiatives, Clean Clothes Campaign found "almost no recorded instances of auditors informing workers that there was a means to bring complaints after the audit ... [Clean Clothes Campaign concluded that this] means auditors miss an opportunity to obtain information that workers might not be comfortable to give during a face to face interview."[26]

58% of the companies track a KPI for freedom of association and collective bargaining, an indicator many non-governmental organizations such as Let's Clean Up Fashion (LCUF) view as "enabling rights." LCUF states that this is one of the most problematic areas of most codes because freedom of association may be not be allowed in some sourcing countries and, thus, that portion of the code cannot realistically be enforced. "If workers in the garment industry were properly organised, we might not need corporate responsibility projects or consumer campaigns – workers themselves would be involved in setting wage levels that not only covered their basic needs but that reflected the real value of their work."[27]

Purchasing

"Purchasing practices" are determined at company headquarters and have a direct impact on working conditions via centralized standard policies and trainings. Company practices that have an impact on working conditions include designing, buying, forecasting, production management, corporate culture, and pricing. For example, last-minute design changes to a factory order can force a supplier to demand excessive overtime from employees to meet a buyer's deadline. By training company employees on the effects their purchasing activities have on a factory's ability to comply with codes of conduct and manage cost, many violations of codes of conduct can be avoided.

PURCHASING	Levi Strauss & Co	Wal-Mart Stores, Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Target Corporation	Gap Inc.	Gildan Activewear Inc.	Under Armour, Inc.	V.F. Corporation	Nordstrom, Inc.	American Eagle Outfitters, Inc.	Jones Apparel Group, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Liz Claiborne, Inc.
Assess If Policies Could Lead to Compiance Challanges	A	A	A	A	A	A	A	A	A	F	F	F	F	F	F
Resources to Improve Practices	B+	A	C	C	C	C	C	D	D	B	F	F	F	F	F
Purchasing Improvement Tools	A	B	A	A	B	B	C	C	F	B	C	D	F	F	F
GRADE	**A-**	**A-**	**B+**	**B+**	**B**	**B**	**B-**	**C+**	**C**	**D-**	**F**	**F**	**F**	**F**	**F**

A study by Oxfam UK, an NGO dedicated to overcoming poverty, concluded that "[u]ntil companies recognise that their own sourcing and purchasing practices are one of the root causes of poor labour standards, they will not resolve the problems in their supply chains."[28]

60% of the responding companies assess whether or not their purchasing practices lead to compliance violations. All of those companies and one additional, Nordstrom, devote resources to improving their purchasing practices through training and rewarding buyers, rewarding executives, and providing opportunities for suppliers to participate to improve the process. All but four companies have implemented tools to improve purchasing practices. These include a product life-cycle management tool, tracking KPIs for internal procedures, and mandatory adherence to a cut-off date for last minute changes.

Under Armour has implemented "an overarching business initiative that seeks to tightly manage the product life cycle from development through production to delivery." Levi Strauss & Co. mapped out a "Go To Market (GTM) process ... and identified processes where internal business practices, processes, and behaviors may have an impact to supplier's compliance. A 'scorecard' was developed, and gathered documented feedback from Product Management, Manufacturing and Operations, Suppliers. In the spirit of continuous improvement, these are reviewed and action points agreed upon."

Collaboration

Collaboration among brands is pivotal in addressing many challenges facing global supply chains. It is a powerful tool in cases where one company alone does not have the leverage – either in an individual factory, region, or country – to address a challenge. Collaboration benefits both the brands and the suppliers – enabling a supplier to complete fewer documents, audits, and trainings to satisfy its customer base and for a brand to safeguard decent working conditions where it doesn't control 100% of a factory's capacity.

Apparel companies working to monitor their supply chains and improve working conditions have also found that success is often attained via collaborative efforts with NGOs, industry associations, and local governments.

COLLABORATION	Levi Strauss & Co	Gap Inc.	Wal-Mart Stores, Inc.	American Eagle Outfitters, Inc.	Hanesbrands Inc.	Gildan Activewear Inc.	Liz Claiborne, Inc.	Jones Apparel Group, Inc.	Target Corporation	Columbia Sportswear Company	V.F. Corporation	Nordstrom, Inc.	AnnTaylor Stores Corp.	Under Armour, Inc.	J. C. Penny Company, Inc.
Does the Company Collaborate On:															
Common Standards	A	A	A	A	A	A	A	A	F	A	A	F	F	A	A
Common Audits	A	A	A	A	A	A	A	A	A	A	A	A	A	A	F
Shared Facilities	A	A	A	A	A	A	A	A	A	A	F	A	A	F	F
Factory Disclosure	A	A	A	A	A	A	A	F	F	A	A	A	F	F	F
Shared Training	A	A	A	A	A	A	A	A	A	A	A	A	F	F	F
Shared Remediation	A	A	A	A	A	A	A	A	A	A	A	A	A	F	F
Stakeholder Groups: Industry / Trade / NGOs	A	B+	C-	D+	D+	D	C-	D	D-	C	D-	D	C-	D-	C-
Engage With Local and Regional Governments	A	A	A	A	A	A	A	A	A	F	F	F	F	F	F
Engagement Mechanisms	A	A	A	B	B	C	D-	C	A	F	F	F	F	F	F
GRADE	**A**	**A**	**A-**	**B+**	**B+**	**B+**	**B+**	**B**	**B-**	**B-**	**C+**	**C+**	**C-**	**D-**	**D-**

The above chart indicates which of the companies are collaborating on Common Standards, Common Audits, Shared Facilities, Factory Disclosure, Shared Training, and Shared Remediation.

Within each process, companies have different ways of collaborating. For example, J.C. Penney Company, Wal-Mart Stores, and V.F. Corporation say that they collaborate on standards via Business for Social Responsibility's (BSR) working group teams; Jones Apparel Group, Wal-Mart Stores, and Levi Strauss & Co. via ILO's Better Work program; American Eagle Outfitters and Levi Strauss & Co. via BSR wastewater guidelines; and Hanesbrands via FLA, WRAP, and the American Apparel and Footwear Association.

Companies are working together on shared audits and are accepting audits done by NGOs and other third-party auditors to reduce duplication of effort. For example, Levi Strauss & Co. "shares 203 factories with Fair Factories Clearinghouse member companies and continues to reach out for report sharing, alternative visits, joint remediation, and training." Columbia Sportswear Company participates in "licensee collaboration among three other brands" while V.F. Corporation does so with Nike, Inc. and Levi Strauss & Co., and Liz Claiborne, with FLA and Levi Strauss & Co. Target Corporation "has experimented ... [but found] the key challenge has been having the audit be unannounced (Target Corporation's requirement)."

Companies work together in shared facilities via the Brand Collaboration Initiative, Better Work program, FLA, and WRAP. In challenging situations, American Eagle Outfitters "works to identify what other brands are in the facility and, where possible, develop a joint plan of action that we can present together to the facility."

Labor activists have long demanded that companies publicly disclose lists of factories and locations, but companies are reluctant to do so. However, in 2005 Levi Strauss & Co. "publicly disclosed the names and locations of all active, approved, Owned and Operated (O&O) contract and licensee factories producing products for Levi's Dockers, Levi Strauss Signature." Other companies, such as Columbia Sportswear Company, "disclose the list with strategic brand partners" while others disclose their list to Fair Factories Clearinghouse (FFC), FLA, MFA Forum Americas, Better Factories Cambodia, Better Work Viet Nam, and Better Work Jordan.

Brands and Stakeholders Work Together to Abolish Forced Child Labor in Uzbekistan

Over 60 of the world's largest apparel brands and retailers alongside industry associations, trade unions, investors, and NGOs are collaborating to end forced child labor in Uzbekistan. This initiative is being coordinated by the Responsible Sourcing Network, a project of As You Sow, in tandem with the International Labor Rights Forum, Anti-Slavery International, and the Environmental Justice Foundation.

Uzbekistan is the world's second largest exporter of cotton, yet its crops are harvested by children who are forced – by the government – to pick cotton for over 12 hours each day during the harvest season.

Many of the apparel companies participating in this multi-stakeholder network have asked their suppliers not to source cotton from Uzbekistan until the government ends this practice. All of the apparel companies that responded to this survey participate in this informal cotton network.

Participants in the network are urging the Uzbek government to work with the International Labour Organization (ILO) to end its reliance on forced child labor and to invite an ILO observer mission to Uzbekistan to document what is happening in the fields.

As a result of pressure from this multi-stakeholder network, the Uzbek government ratified two key ILO conventions that protect children (C 138 – Minimum Age and C 182 – Worst Forms of Child Labour). At present, the Uzbek government has yet to invite the ILO to observe its harvesting practices.

Several companies are working together on shared remediation via FLA and with other brands in their facilities. They are also coming together via NGOs and third parties for training. Target Corporation "supports NGO and third party common training by encouraging vendors and their factories to attend trainings and providing financial support." Levi Strauss & Co. and V.F. Corporation "collaborated to bring China Labor Contract Law training to its suppliers in north China and have collaborated with other brands to train External Monitors that will assess work conditions of Mills and Sundries suppliers."

Participation in multi-stakeholder initiatives that include brands, local groups, governments, and NGOs has proven valuable both for understanding factory conditions and for addressing them, particularly when a company uses only a small percentage of a factory's capacity. LCUF asserts that "membership of a multi-stakeholder initiative is the most effective means of pursuing a collaborative approach. As projects have developed over 2009 it becomes more apparent that those brands and retailers developing the most interesting projects are also those who have been engaged in the ETI [Ethical Trading Initiative]."[29]

A study by Clean Clothes Campaign found that "[o]bservers are increasingly concluding that social auditing is not effective if some form of engagement with credible local organizations does not accompany it."[28] All companies that have engagement mechanisms work with local NGOs and 60% of the respondents engage local and regional governments. NGOs, industry and trade groups with which companies that responded to the survey participate are listed in Appendix D.

The following chart indicates in which ways the different companies engage.

ENGAGEMENT MECHANISMS	American Eagle Outfitters, Inc.	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Target Corporation	Wal-Mart Stores, Inc.
Meet With Local NGOs	•	•	•	•	•	•	•	•	•
Meet With Local Officials		•	•	•	•	•		•	•
Lobby Regional / National Governments	•	•		•		•		•	•
Negotiate at WTO / Trade Associations	•	•		•		•		•	•
Participate With ILO / International Institutions	•	•	•		•	•		•	•

In addition, Gap Inc. has "engaged local industry associations independently and in multi-stakeholder projects to encourage them and their membership to integrate labor rights into their thinking about competitiveness." Gap Inc. has done so in Bangladesh, Lesotho, Honduras, Nicaragua, Mexico, Dominican Republic, Guatemala, El Salvador, and Cambodia. Wal-Mart Stores works with trade associations to engage and discuss issues with national governments, as in the case of implementing a policy banning Uzbek cotton from its supply chain.

Company Management Accountability

The adage "what gets measured gets managed" is as true for social accountability as for any other business process. By placing responsibility for social compliance with C-level managers and incentivizing managers based on their teams' performance on social issues, social responsibility can become a central business metric. This can help ensure that managers will make it a priority and provides opportunities to integrate continuous improvement on compliance into "regular" business practices.

MANAGEMENT / ACCOUNTABILITY	Gap Inc.	Wal-Mart Stores, Inc.	Levi Strauss & Co	Gildan Activewear Inc.	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Nordstrom, Inc.	Hanesbrands Inc.	Under Armour, Inc.	Liz Claiborne, Inc.	Target Corporation	Columbia Sportswear Company	J. C. Penny Company, Inc.	V.F. Corporation	Jones Apparel Group, Inc.
Board Committee Responsible for Compliance Review	A	A	F	A	A	A	A	A	A	F	F	F	F	F	F
Compliance Goals a Factor in Compensation For:															
Buying Agents	F	F	F	F	F	F	F	F	F	A	F	F	F	F	F
Sourcing / Production Staff	A	A	A	F	F	F	F	F	F	F	F	F	F	F	F
Buyers / Merchants (In House)	F	F	A	F	F	F	F	F	F	F	F	F	F	F	F
Executives	A	A	A	A	F	F	F	F	F	A	F	F	F	F	F
Other	A	F	F	F	A	F	F	F	F	F	F	F	F	F	F
Who is Educated On Compliance	B	B	B	D	D	B	B	C	C	B	B	C	C	C	D
GRADE	**B-**	**C+**	**C**	**C-**	**D+**	**D+**	**D+**	**D+**	**D+**	**D+**	**F**	**F**	**F**	**F**	**F**

53% of the companies have a Board Committee responsible for Compliance Reviews. This is a commendable step. By creating a board committee to address the company's activities surrounding and responsibility towards compliance, the conditions on the factory floor and workers' rights and safety are brought to the attention of and monitored by the highest level of the company.

By making compliance a factor in compensation, headquarter employees are forced to take it seriously – learning and being responsible for the ways in which the decisions they make affect workers in factories producing their products. Only Liz Claiborne ties compliance performance to the compensation reviews of its Buying Agents, and only three companies – Gap Inc., Levi Strauss & Co., and Wal-Mart Stores, link it to the compensation and/or bonuses of their Sourcing and/or Production Staff. Only Levi Strauss & Co. makes compliance a factor in the compensation of its in-house buyers and merchants, and only Gap Inc., Gildan Activewear, Levi Strauss & Co., and Wal-Mart Stores tie it in to the compensation of their executives.

Companies are also training and educating their employees on compliance issues. Education takes place from the executive level to new hires.

TRAINING	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Nordstrom, Inc.	Target Corporation	Under Armour, Inc.	V.F. Corporation	Wal-Mart Stores, Inc.
Quality Control Staff		•	•	•		•	•		•	•	•	•	•		
Buying Agents		•		•		•		•	•	•	•	•		•	•
In-House Sourcing / Production Staff	•	•	•	•		•	•	•	•	•	•	•	•	•	•
In-House Buyers / Merchants		•	•	•	•		•		•	•	•	•		•	•

In addition to these trainings, at American Eagle Outfitters compliance performance is part of the training and education of "participants in the "Teammate" program, which is an entry-level program for aspiring buyers/merchants." Participants are taught about how their actions and activities affect a factory's ability to comply with the company's compliance standards. Under Armour provides training to "Executive Management and Legal Staff."

Transparency

Transparency is essential for concerned investors and consumers to have the most up-to-date information on a company's practices and supply chain working conditions are an important factor in assessing social responsibility. Participating in surveys such as the one that formed the basis for this report is a key element of transparency – but more far-reaching are company-published corporate social responsibility and sustainability reports that detail social compliance activities, metrics, goals, and outcomes.

TRANSPARENCY	AnnTaylor Stores Corp.	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Nordstrom, Inc.	Target Corporation	Wal-Mart Stores, Inc.	American Eagle Outfitters, Inc.	V.F. Corporation	Columbia Sportswear Company	Liz Claiborne, Inc.	Under Armour, Inc.
Report Summarizing Social Compliance	A	A	A	A	A	A	A	A	A	A	F	F	F	F	F
Plans to Publish (If No Above)	N/A	N/A	N/A	A	N/A	N/A	N/A	N/A	N/A	N/A	A	A	F	F	F
GRADE	**A**	**A**	**A**	**A**	**A**	**A**	**A**	**A**	**A**	**A**	**C+**	**C+**	**F**	**F**	**F**

Seven of the 15 respondents publish a report summarizing social compliance and five respondents state that they have plans to do so. Columbia Sportswear Company, Liz Claiborne, and Under Armour do not publish a report summarizing their social compliance activities and have no plans to publish a report.

Some companies that disclose substantive information on supply chain compliance also communicate public goals for progress.[31] Yet, on the whole, public reporting by apparel companies does not meet or exceed the bar set by Gap Inc.'s landmark report developed in cooperation with shareholder advocates in 2004. For an overview of issues addressed by companies in their public reporting, please see Appendix E.

Gap Inc.'s Landmark Report

In 2002, As You Sow, Calvert Asset Management Co., Center for Reflection, Education and Action (CREA), Domini Social Investments, and the Interfaith Center on Corporate Responsibility (ICCR) asked Gap Inc. to issue a detailed, substantive vendor standards report to help stakeholders better understand progress in achieving compliance at supplier facilities. Investors asked the company because the company had been the first major retailer to agree, in 1996, to independent monitoring of a supplier factory in El Salvador and since then had claimed it had been doing more than many of its competitors to enforce its code but had not been getting credit for its activities.

As a result of engaging with the aforementioned investors, in 2004 Gap Inc. published a "warts and all" report disclosing considerable noncompliance with wage, hour, and overtime rules, and evidence of environmental, health and safety violations.[32] The working group of shareholder activists partnered with the company on developing grading methodology which resulted in the first public ranking of global suppliers by a major U.S. apparel brand. The report confirmed many activists' concerns: that many supplier facilities were not in compliance with codes, there was no easy fix, and the company needed to work with a variety of stakeholders on different activities to improve the situation.[33] The report was recognized as a new benchmark for disclosure, even by critics of the company.

Gap Inc. continues to issue these reports biannually, but the praise the company received for doing so has not prompted many of its peers to provide similar disclosure.

Conclusion

The complexity of supply chain compliance requires a willingness to commit significant resources and work in collaboration to find better answers that will permanently reduce levels of non-compliance.

The high scorers in this report, Levi Strauss & Co. and Wal-Mart Stores, as well as Gap Inc., Hanesbrands, Nordstrom, and Gildan Activewear have set a bar for other brands to meet. These companies are not only doing the basics of auditing facilities but also are committing significant resources to remediation, continuous improvement, and collaboration at many levels, allow substantive third-party critiques, and furnish public reporting. Their leadership efforts and pilot programs provide lessons that can help pave the way for companies with younger social responsibility divisions such as American Eagle Outfitters whose dedicated CSR team was put in place in 2007.

Based on survey responses, As You Sow recommends:

- Companies need to put more resources into continuous improvement to prevent non-compliance problems from recurring. This is a crucial but resource-intensive area that involves tracking key performance indicators and working with suppliers to build management capacity and train workers and managers on labor rights and health and safety.
- There needs to be more emphasis on initiatives that empower workers. One of the biggest challenges is the dilemma of freedom of association. Companies may stipulate in their codes that workers have a right to freely associate and join unions, but do business in countries where these rights are neither assured nor enforced. In these cases, some form of parallel means of worker empowerment must be pursued to ensure workers' rights are respected.
- Companies should more thoroughly integrate factory compliance performance into compensation for staff, including senior executives. Evaluating executives on progress in improving working conditions in factories throughout the supply chain elevates the issue for greater senior management and board attention.
- Companies should analyze their purchasing practices to determine if internal policies are exacerbating compliance violations and commit resources to improve these practices.
- Companies should develop more sophisticated technology to track the resolution and recurrence of compliance violations. Systems that evaluate compliance will not only provide a more accurate accounting of how factories are able to address compliance violations but also enable companies to better measure the effectiveness of their social compliance programs.
- Companies need to increase detailed public reporting on specific supply chain audit findings and remediation actions. Transparency is a core attribute of corporate social responsibility and the apparel industry needs significantly improve its disclosure.

Appendix A

COMPANIES THAT DID NOT RESPOND TO THE SURVEY:

Abercrombie & Fitch Co.	Guess?, Inc.	Phillips-Van Heusen Corporation	The Men's Wearhouse, Inc.
Chico's FAS, Inc.	J. Crew Group, Inc.	Polo Ralph Lauren Corporation	The TJX Companies, Inc.
Coach, Inc.	Kohl's Corporation	Ross Stores, Inc.	Urban Outfitters, Inc.
Dilliard's, Inc.	Limited Brands, Inc.	Saks Incorporated	
Foot Locker, Inc.	Macy's Inc	Sears Holdings Corporation	

Appendix B

As You Sow evaluated companies based on their survey responses. The weights are noted in the table below.

GENERAL / CODE OF CONDUCT	0.08
Code of Conduct	0.12
Publicly Available	0.23
Consistent With ILO Conventions	0.4
Tiers to Which the Code Applies and Is Enforced	0.25
AUDITING	**0.15**
Policies	0.1
Approval Process for New Suppliers	0.1
Percentage of Supplier Factories Currently Monitored	0.12
Percentage of Audits Unannounced	0.1
Auditors Trained / Certified by Third Party	0.08
Auditors Familiar With Local Language(s) and Culture(s)	0.08
Off-Site Interviews	0.1
Percentage Using Off-Site Interviews	0.1
Third Party Verification of Audits	0.12
Percentage of Audits Verified	0.1
REMEDIATION	**0.15**
Remediation Processes	0.23
Follow-Up Process	0.27
Percentage of Issues Resolved Each Year	0.27
Track Recurring Problems	0.23
SCORECARD	**0.05**
Supplier Scorecard	0.4
Transparent Process	0.25
Use of Scorecard	0.35
PREFERRED SUPPLIERS	**0.05**
Preferred-Supplier Program	0.55
Suppliers Informed of Criteria and Rankings	0.45
CONTINUOUS IMPROVEMENT	**0.17**
Compliance Improvement Goals Set	0.1
Percentage of Suppliers Worked With to Improve:	
Audits/Remediation	0.08
Capacity Building	0.12
Other	0.04
Training for Suppliers	0.1
Percentage of Suppliers That Receive Training in:	
Labor Rights (Management)	0.06
Labor Rights (Workers)	0.1
Health and Safety (Management)	0.06
Health and Safety (Workers)	0.12
Other	0.05
Supplier Disengagement Policy	0.05
KPIs Tracked	0.08
Which KPIs	0.06

PURCHASING	0.08
Assess if Policies Could Lead to Compliance Challenge	0.4
Resources to Improve Practices	0.35
Purchasing Improvement Tools	0.25
COLLABORATION	**0.1**
Does the Company Collaborate On:	
Common Standards	0.1
Common Audits	0.13
Shared Facilities	0.08
Factory Disclosure	0.1
Shared Training	0.08
Shared Remediation	0.15
Stakeholder Groups: Industry / Trade / NGOs	0.12
Engage With Local and Regional Governments	0.12
Engagement Mechanisms	0.12
PERSONNEL	**0.1**
Board Committee Responsible for Compliance Review	0.3
Compliance Goals a Factor in Compensation For:	
Buying Agents	0.15
Sourcing / Production Staff	0.15
Buyers / Merchants (In House)	0.15
Executives	0.1
Other	0.05
Who is Educated Cn Compliance	0.1
TRANSPARENCY	**0.07**
Report Summarizing Social Compliance	0.6
Plans to Publish (If No Above)	0.4

Appendix C

	American Eagle Outfitters, Inc.	AnnTaylor Stores Corp.	Columbia Sportswear Company	Gap Inc.	Gildan Activewear Inc.	Hanesbrands Inc.	J. C. Penny Company, Inc.	Jones Apparel Group, Inc.	Levi Strauss & Co	Liz Claiborne, Inc.	Nordstrom, Inc.	Target Corporation	Under Armour, Inc.	V.F. Corporation	Wal-Mart Stores, Inc.
Full Supply Chain / Apparel Only	Apparel	Apparel	Full	Apparel	Full	Apparel	Full	Full	Full	Apparel	Full	Full	Apparel	Full	Full
If Full, What Perecentage Apparel			72%		100%		50%	70%	75%		70%	30%		90%	N/A

Appendix D

INDUSTRY, TRADE, AND NGO STAKEHOLDER GROUPS:

American Apparel and Footwear Association (AAFA)
Better Factories Cambodia / Better Work (Vietnam, Jordan, etc.)
Bulgaria Apparel Project Partnership
Business for Social Responsibility (BSR)
Business Leaders Initiative on Human Rights (BLIHR)
China Association of Enterprises with Foreign Investment (CAFEI)
Continuous Improvement in the Central American Workplace (CIMCAW)
Ethical Trading Initiative (ETI)
Fair Labor Association (FLA)
Global Reporting Initiative (GRI)
Joint Initiative on Corporate Accountability and Workers Rights (Jo-In)
MFA Forum
National Retail Federation (NAF) / Retail Industry Leaders Association (RILA)
Social Accountability International (SAI)
UN Global Compact
U.S. Council for International Business (USCIB)
Workers Rights Consortium (WRC)

Appendix E

	Dillard's, Inc.	Gap Inc.	Gildan Activewear Inc.	J. C. Penny Company, Inc.	Kohl's Corporation	Levi Strauss & Co	Phillips-Van Heusen Corporation	Target Corporation	V.F. Corporation	Wal-Mart Stores, Inc.
CSR Report	•	•	•	•	•	•	•	•	•	•
Monitoring Supply Chain	•	•	•	•	•	•	•	•	•	•
Compliance Metrics	•	•		•	•		•		•	
Factory Locations	•	•	•		•	•	•		•	
Facility Rankings		•			•	•	•		•	•
Acknowledges Challenges	•	•	•		•	•	•		•	•

This chart was compiled based on the public reporting of all companies who received the survey. Hanesbrands, Nordstrom, and AnnTaylor Stores published their Corporate Social Responsibility Reports as "Toward a Safe, Just Workplace" was being published and were not reviewed for this report.

Notes

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2 Varley, Pamela editor. *The Sweatshop Quandary: Corporate Responsibility on the Global Frontier*. Washington DC: Investor Responsibility Research Center, 1998. P. 7

3 Esbenshade, Jill. Monitoring Sweatshops: *Workers, Consumers, and the Global Apparel Industry*. Philadelphia: Temple University Press, 2004. P. 122

4 Varley, Pamela editor. *The Sweatshop Quandary: Corporate Responsibility on the Global Frontier*. Washington DC: Investor Responsibility Research Center, 1998. P. 11

5 Varley, Pamela editor. *The Sweatshop Quandary: Corporate Responsibility on the Global Frontier*. Washington DC: Investor Responsibility Research Center, 1998. P. 18

6 Amalgamated Bank, Christian Borthers Investment Services, Connecticut Pension and Retirement System, Interfaith Center on Corporate Responsibility, New York City Employees Retirement System. *Sourcing Standards: Concerns for Investors. Enhancing Shareholder Value through Supply Chain Monitoring and Reporting*. 2004. http://www.iccr.org/news/press_releases/Business_Case_for%20Sourcing_Standards04.pdf P. 7

7 Amalgamated Bank, Christian Borthers Investment Services, Connecticut Pension and Retirement System, Interfaith Center on Corporate Responsibility, New York City Employees Retirement System. *Sourcing Standards: Concerns for Investors. Enhancing Shareholder Value through Supply Chain Monitoring and Reporting*. 2004. http://www.iccr.org/news/press_releases/Business_Case_for%20Sourcing_Standards04.pdf P. 2

8 Roberts, Dexter, Pete Engardio, Aaron Bernstein, Stanley Holmes, and Xiang Ji. "Secrets, Lies and Sweatshops." *Business Week*. 27 November 2006. http://www.businessweek.com/magazine/content/06_48/b4011001.htm

9 Verité and Center for Reflection, Education and Action. *Standards for the Knowledge and Skills of Social Auditors*. http://socialauditor.org/Social_Auditor_Standards_-_final.pdf P. 12

10 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 14

11 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 22

12 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 22

13 http://www.ilo.org/ilolex/english/docs/declworld.htm Accessed 4 November 2010.

14 "Jurewicz, Patricia and Kristin Dawkins. *The Treaty Database: A monitor of U.S. Participation in Global Affairs*. Minneapolis, MN: Institute for Agriculture and Trade Policy, 2005.

15 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 20

16 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 20

17 Company responses listed these organizations as providing separate reviews. As You Sow and other stakeholders do not necessarily consider them to provide equal and/or adequate review services.

18 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 46

19 Charter Document, Fair Labor Association. http://www.fairlabor.org/images/AboutUs/flacharter_october2009.pdf P. 21

20 Company responses listed these organizations as independent verifiers. As You Sow and other stakeholders do not necessarily consider them to provide equal and/or adequate independent verification services.

21 We are pleased that companies are tracking resolution of issues, but many problems can recur. Thus, reports that high levels of violations are resolved within short timeframes need further clarification.

22 Sisco, Cody and Blythe Chorn. *Key Performance Indicators for Responsible Sourcing. A Beyond Monitoring Trends Report*. BSR. 2009. http://www.bsr.org/reports/beyond-monitoring/BSR_Responsible_Sourcing_%20KPIs_Summary.pdf P.3

23 Project Kaleidoscope Working Group. *Project Kaleidoscope. A Collaborative and Dynamic Approach to Code of Conduct Compliance*. 2008. http://www.asyousow.org/human_rights/docs/ProjectKaleidoscope-final-report2008.pdf P. 5

24 Locke, Richard, Fei Qin, and Alberto Brause. *Does Monitoring Improve Labor Standards? Lessons from Nike*. Corporate Social Responsibility Initiative, Sloan School of Management, Massachusetts Institute of Technology. 2006. http://www.hks.harvard.edu/m-rcbg/CSRI/publications/workingpaper_24_locke.pdf Project Kaleidoscope Working Group. *Project Kaleidoscope. A Collaborative and Dynamic Approach to Code of Conduct Compliance*. 2008. http://www.asyousow.org/human_rights/docs/ProjectKaleidoscope-final-report2008.pdf P. 24

25 http://www.gapinc.com/GapIncSubSites/csr/Goals/SupplyChain/Program/SC_Freedom_Of_Association_Program.shtml

26 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 49

27 Let's Clean Up Fashion. *The state of pay behind the UK high street*. 2009. http://www.labourbehindthelabel.org/images/pdf/letscleanupfashion2009.pdf P. 4

28 Oxfam and Make Trade Fair. *Trading Away Our Rights: Women working in global supply chains*. 2004. http://www.oxfam.org/sites/www.oxfam.org/files/rights.pdf

29 Let's Clean Up Fashion. *The state of pay behind the UK high street*. 2009. http://www.labourbehindthelabel.org/images/pdf/letscleanupfashion2009.pdf P. 4

30 Clean Clothes Campaign. *Looking for a quick fix. How weak social auditing is keeping workers in sweatshops*. 2005. http://www.cleanclothes.org/resources/ccc/7-resources/1166-looking-for-a-quick-fix P. 47

31 Publicly stated goals can provide a powerful incentive for companies to meet their targets. For example, Gap Inc.'s online Social Responsibility Report commits to quantitative goals for its supply chain in 2010 including to: "increase the percentage of our factories that have a Level 3 or higher rating to represent 80% of our factory base; ensure that 10% (approximately 130) of the garment factories that we work with have verified human resources management systems in place; [and] coordinate training for 75% of our key vendors on topics related to improving working conditions" http://www.gapinc.com/GapIncSubSites/csr/Goals/SupplyChain/SC_Goals.shtml

32 http://www.gapinc.com/GapIncSubSites/csr/documents/Gap_Inc._Social_Responsibility_Report_2000-2004.pdf

33 For example, Behind the Label's "U.S. Retailers: Responsible for the Global Sweatshop Crisis" highlighted concerns that activists had with compliance within several brands' supply chains. http://www.behindthelabel.org/pdf/Retailindus.pdf

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