

# Coming clean on the clothes we wear

Transparency Report Card

Ettag

**A Survey of Labour Standards Reporting by Retailers and Brands  
Selling Clothes in the Canadian Market**

**Ethical Trading Action Group (ETAG)**

**in association with AccountAbility**

**December 2005**

Report due



The **Ethical Trading Action Group** (ETAG) is a Canadian coalition of faith, labour, teacher and non-governmental organizations advocating for government policies, voluntary codes of conduct and ethical purchasing policies that promote humane labour practices based on accepted international labour standards. ETAG promotes greater public access to information on where and under what conditions clothes, shoes and other consumer products are made, and greater transparency in monitoring and verification of company compliance with international labour standards and local laws. ETAG member organizations include: Canadian Auto Workers Union, Canadian Council for International Co-operation, Canadian Labour Congress, Canadian Union of Public Employees, KAIROS: Canadian Ecumenical Justice Initiatives, Maquila Solidarity Network, Ontario Secondary School Teachers' Federation, Oxfam Canada, Steelworkers Humanity Fund, and UNITE HERE.



The **Maquila Solidarity Network** (MSN) acts as the secretariat for ETAG and is the principal author of this report. MSN is a Canadian-based labour rights and solidarity organization committed to decent work and wages for garment workers worldwide. MSN's program combines research, policy advocacy, corporate campaigning and engagement, coalition building, international networking and solidarity. MSN acts as the Canadian contact point for corporate campaigns and CSR engagement, monitoring the labour practices of Canadian, US and European retailers, brand merchandisers and apparel manufacturers, engaging with companies whenever possible and mobilizing public pressure for improved policies and practices when necessary. For more information, visit: [www.maquilasolidarity.org](http://www.maquilasolidarity.org)



**AccountAbility** is a leading international non-profit institute based in the UK dedicated to promoting accountability for sustainable development through the development of innovative and effective accountability tools. The rating system utilized in this research is based on the Gradient Index developed by AccountAbility. For more information, visit: [www.accountability.org.uk](http://www.accountability.org.uk)

# Contents

## PART I

<b>Introduction</b> .....	<b>5</b>
Purpose of the Transparency Report Card .....	5
Why Transparency Matters .....	6
<b>Methodology</b> .....	<b>8</b>
Research Procedure .....	8
Gradient Index .....	9
<b>Research Criteria</b> .....	<b>11</b>
Governance and Risk Management .....	11
Code for Labour Standards in the Supply Chain .....	11
Stakeholder Engagement .....	13
Management .....	14
Auditing and Reporting .....	14
<b>Findings</b> .....	<b>16</b>
Company Ratings .....	16
Private vs Public .....	17
Large vs Small .....	18
Canadian vs US .....	19
Brand Merchandisers vs Retailers .....	20
Governance and Risk Management .....	20
Code for Labour Standards .....	22
Stakeholder Engagement .....	26
Management .....	27
Auditing and Reporting .....	27
<b>Conclusion: What Can We Learn From the Findings?</b> .....	<b>29</b>
<b>Recommendations</b> .....	<b>31</b>
Recommendations to Retailers and Brands .....	31
Recommendations to the Canadian Government .....	32
Recommendations to Investors .....	32
Recommendations to Financial Institutions .....	32
Recommendations to Consumers .....	33



**PART II**

**Full Description of Research Criteria ..... 34**

**Transparency report cards**

Public companies

American Eagle Outfitters ..... 41

Forzani Group ..... 43

Gap Inc. .... 45

Hudson’s Bay Company ..... 47

La Senza ..... 49

Le Château ..... 51

Levi Strauss & Co ..... 53

Liz Claiborne ..... 55

Mark’s Work Wearhouse ..... 57

Mountain Equipment Co-op ..... 59

Nike ..... 61

Polo Ralph Lauren ..... 63

Reitmans ..... 65

Sears Canada ..... 67

Wal-Mart ..... 69

Winners (TJX) ..... 71

Private companies

Boutique Jacob ..... 73

Giant Tiger ..... 75

Grafton-Fraser ..... 77

Harry Rosen ..... 79

International Clothiers ..... 81

Northern Group ..... 83

Roots ..... 85

Tristan and America ..... 87

YM Inc. .... 89

**PART III**

Appendix 1: Acronyms ..... 91

Appendix 2: Tables and Figures ..... 91

Appendix 3: Alterations to the Gradient Index ..... 92

# Introduction

**“It is no longer a question if a company with a global supply chain will be held accountable for workplace standards at factories it owns or with which it contracts, but rather when.”<sup>1</sup>**

Dan Henkle, Vice-President of Social Responsibility, Gap Inc.

Over the past ten years, anti-sweatshop campaigns and media exposés have succeeded in bringing the issue of worker rights abuses in global supply chains to the attention of consumers, shareholders and the public.

In response, a range of tools have been developed by companies, NGOs, labour organizations and governments to address problems in globally-subcontracted apparel production, including codes of conduct, internal monitoring and external verification, collaborative efforts among companies and with labour and nongovernmental organizations (NGOs), disclosure of supply chain information, and corporate social responsibility (CSR) reporting.

More recently, there has been an increasing convergence on internationally-recognized minimum labour standards and a growing recognition of the need for credible systems for monitoring and verifying compliance with those standards, as well as labour rights training for workers and management personnel and engagement with labour, NGOs and other stakeholders.

Customers and shareholders are seeking reliable information on what companies are doing to ensure that at least minimum labour standards are being upheld throughout a company's operations, and leading brands and retailers are learning that part of the business of satisfying customers and

investors involves effective communication of the company's policies and practices on social and environmental issues.

While many companies continue to release minimal information or broad and unconvincing statements on corporate social responsibility, leading retailers and brands are beginning to provide more comprehensive reports on their efforts to meet more specific social and environmental benchmarks.

## Purpose of the Transparency Report Card


The Transparency Report Card assesses and compares 25 apparel retailers and brands selling apparel products in the Canadian market in terms of their efforts to address worker rights issues in their global supply chains and on how and what they report on those efforts.

The Report Card is based on research carried out over the past year by the Maquila Solidarity Network (MSN), on behalf of the Ethical Trading Action Group (ETAG). The rating system utilized in our research is based on the Gradient Index developed by AccountAbility in the UK.

We have relied exclusively on materials made public by the companies being researched.

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<sup>1</sup>“Socially Responsible Sourcing: Gap Inc. Sees Supplier Ownership of Workplace Compliance as a Sustainable Solution,” Dan Henkle, *Journal of Organizational Excellence*, November 11, 2005.



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This Report Card assesses companies on the basis of:

- their programs to achieve compliance with recognized international labour standards in the factories where their products are made; and
- the steps they are taking to communicate thoroughly, effectively and transparently these efforts to the public.

**The Report Card does not attempt to evaluate actual labour practices. Because of the lack of publicly available information on factory locations and audit findings, it is not currently possible to rate companies based on workplace practices or to evaluate whether progress has been made over time on labour practices or working conditions at the factory or country level. Nor does the Report Card assess how companies' labour standards policies and compliance programs apply to their retail employees. The focus of this report is exclusively on supply chains.**

## Why Transparency Matters

A central objective of this assessment is to encourage companies to disclose sufficient information to allow consumers and investors to evaluate and compare companies' labour practices and make ethical choices.

We believe that improved public reporting on labour practices within their global supply chains can be an impetus for corporations – and suppliers – to actually improve those practices over time, for the following reasons:<sup>2</sup>

- A company that discloses information about the content of its code of conduct subjects itself to public scrutiny about the contents of its code, its methods of monitoring code compliance, and its levels of compliance. This is a healthy dialogue that often leads to incremental improvements over time.
- Public transparency in all matters of corporate conduct, including labour practices, pushes corporations to implement better information gathering processes that ensure relevant information reaches officials with leverage to ensure positive changes in practices – even if only to reduce the risk of “bad” practices being disclosed to the markets.
- Credible public reporting permits consumers and investors to compare corporate performance, and thus encourages corporations to work to improve performance in order to maintain and improve market share and corporate reputation.
- A company that discloses where its factories are located will take a more active interest in the conditions in those factories because of the increased risk that those conditions will be discovered and reported by third parties

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<sup>2</sup> A growing volume of studies recognize the important role that disclosure and transparency can have in influencing positive change in corporate labour, environmental, and financial practices:

- A. Fung, Dara O'Rourke & Charles Sabel, “Realizing Labor Standards” in *Can We Put an End to Sweatshops?* (Fung, et al. (eds.), 2001)
- C. Williams, “The SEC and Corporate Social Transparency,” (1999) 112 *Harvard Law Review* 1197
- D. J. Doorey, “Disclosure of Factory Locations in Global Supply Chains: A Canadian Proposal to Improve Global Labour Practices” (2005), 55 *Canadian Review of Social Policy Journal* 104

in a manner that could negatively affect the company's reputation.

- Public transparency permits civil society actors (unions and non-governmental organizations), in importing and producing countries, to monitor corporate claims and performance, which in turn encourages corporations to improve behaviour and to ensure that what they report to the public is accurate.


Clearly, problems in apparel company supply chains may persist even where companies have improved their public reporting. For example, Gap Inc. revealed in its Social Responsibility Report for fiscal year 2004 that while there were improvements in 51% of its Chinese supply factories since its previous

year's report, there was a decline in compliance in slightly over 48% of its production facilities in that country.<sup>3</sup> However, the fact that Gap Inc. is reporting changes in monitoring findings from year to year allows interested parties to assess whether progress is being made and therefore makes Gap Inc. more accountable to shareholders, consumers, workers and other stakeholders.

The Report Card is the first of what will be an annual assessment of labour standards reporting by apparel brands and retailers in Canada. It is our hope that this report will encourage all companies profiled to take additional steps to meet and exceed the standards of industry leaders. Companies that do so will see their rating improve in future Report Cards.

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<sup>3</sup> Gap Inc. attributed the higher incidence of reported worker rights violations to the increased number of joint factory inspections carried out by Gap Inc. compliance staff, arguing that involvement of more staff in monitoring visits allowed the company to uncover more problems. To access the Gap 2004 Social Responsibility Report see: [www.gapinc.com](http://www.gapinc.com).



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## Research Procedure

Twenty-five major apparel retailers and brand merchandisers were selected for inclusion in the Report Card, based on their relative market share by annual sales of apparel, and on their prominence in the Canadian market. We decided to include both retailers and brand merchandisers in our study because they face very similar labour rights issues in their supply chains where their private label and branded apparel products are made.<sup>4</sup>

The Canadian retail apparel industry is dominated by a relatively small number of large companies, followed by a larger number of smaller firms with more limited geographic or market scope, and specialty stores. The top four apparel retailers in Canada (Sears, Wal-Mart, The Bay and Zellers, in that order) account for approximately 30% of the Canadian retail apparel market. Retailers and brand merchandisers increasingly drive the terms and conditions of apparel production.

The Canadian retail market, as will become apparent in this report, is also dominated by US-owned brands and retail companies. For this reason our survey has focused on major brand merchandisers and retailers based on their prominence in the

Canadian market rather than only by their ownership. We have not focused exclusively on Canadian-owned companies.

We developed a base profile of each company including its ownership structure, its market presence by number of outlets, and its personnel responsible for code compliance.

In May 2005 we mailed an initial letter to each company introducing the Ethical Trading Action Group, outlining our study and indicating how the company could assist us with the research. We asked each company to provide any relevant public documents it had produced that would assist us in evaluating its reporting on labour rights issues in its supply chain. We received only one response to our initial request for public documents.

Our researchers gathered all available public documents for each company, including annual reports, SEDAR<sup>5</sup> filings, US Securities and Exchange Commission (SEC)<sup>6</sup> filings, corporate social responsibility reports, news releases, and web pages.

We then sifted through the data for each company looking for reporting in a set of 19 different areas. Once we had established a score for each company in each area, we sent each company an individual

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<sup>4</sup> We also decided to exclude from our study retailer/manufacturers like American Apparel that have all their apparel products manufactured in their wholly owned factories, and therefore have not adopted policies and procedures to address supply chain labour rights issues. Gildan Activewear was also excluded from the study because it is solely a manufacturer.

<sup>5</sup> SEDAR (the System for Electronic Document Analysis and Retrieval) is the system used for electronically filing the disclosure documents of public companies and investment funds across Canada. Filing with SEDAR started January 1, 1997, and is now mandatory for most reporting issuers in Canada. The SEDAR system includes most of the documents which are legally required to be filed with the Canadian Securities Administrators and many documents which may be filed with the Canadian exchanges (market centres).

<sup>6</sup> The Securities and Exchange Commission is a US federal agency organized to regulate the securities industry and administrate the various federal securities laws. All companies, including Canadian companies, operating in the United States are required to file registration statements, periodic reports, and other forms electronically through EDGAR, the SEC filing database. Anyone can access and download this information for free.



Report Card identifying the categories and criteria upon which companies were being evaluated, the weighting for each, the individual scores for the company in each criteria, and the company's overall score. We also clearly identified the source material we used to arrive at each score and the elements that made it impossible to increase the score based on the available materials.

In August 2005, we invited each company to respond to our initial findings by supplying us with any additional public material which addressed the questions being asked, and to identify any other points we may have missed or misinterpreted. Fourteen companies responded, and eight of those companies sent additional materials, which altered the final ratings in four instances.<sup>7</sup>

Many companies surveyed for this study asked that efforts they are making that are not reported to the public be included in the survey results. We decided not to include in our assessment information that is either confidential or released on a discretionary basis, because we believe that consumers and investors require accurate, timely and complete information in order to make ethical choices. If a company is carrying out work that is not being reported, their customers and investors are unable to track progress over time or to make informed decisions.

Some companies were reluctant to participate, as shown in the following excerpts from letters received from Harry Rosen:

*As a private company we are under no obligation to share the kind of information you are requesting.... We deal only with well-*

*established companies that have been in business for a long time. We know the management of these firms and have toured most of the factories. The working conditions we have seen are at a world-class level, in terms of health, safety and labour standards. It is our policy to deal with companies that are of that standard.... I am compelled to add that I sensed an accusatory tone in your letter. Unless a company takes the action of completing your survey and disclosing private information, ETAC [sic] presumes that the firm is doing business in contravention of labour and other standards. The implication is that, by not participating in the survey, the firm is guilty of breaches of corporate responsibility. I find this extremely distasteful and undemocratic.*

... and from Le Château:

*Please be advised that as a public company, we take our responsibilities to operate with integrity and to use ethical practices in every aspect of our business very seriously.... While we appreciate and understand the outside perspective you have given us regarding our group's efforts, we do not, at the present time, make any of our internal policies and procedures a matter of public record. We have taken the matter under advisement and will determine where we may have opportunities to share this information publicly.*

## Gradient Index

In carrying out this survey, ETAG utilized and adapted the Gradient Index, developed by AccountAbility in the UK and applied in its own 2004 study of reporting by public companies in the UK across a number of

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<sup>7</sup> Materials provided by November 15, 2005 are included in our company assessments.



**Table 1. Gradient Index with Accountability and ETAG Weightings**

Category	AA weighting	ETAG weighting
Governance and risk management	20%	10%
Policy	15%	15%
Stakeholder Engagement	15%	20%
Management	25%	20%
Auditing and Reporting	25%	35%

industries. The Gradient Index allows one to situate a company’s progress in each area according to specific, measurable steps.<sup>8</sup>

The Index rates company reporting in five categories, with a series of questions in each category, to gauge each company’s reported efforts to comply with international labour standards. The five categories are:

- ❑ Governance and risk management (board-level responsibility for ethical issues and analysis of labour standards issues in the supply chain as a risk factor)
- ❑ Code for labour standards in the supply chain (availability, quality, and application of code of conduct)
- ❑ Stakeholder engagement (involvement in multi-stakeholder initiatives and engagement with labour/NGO groups in importing countries and countries of manufacture)
- ❑ Management (how a company implements its policies)
- ❑ Auditing and reporting (auditing across the supply chain; third party involvement; labour/NGO involvement; publication of process, findings, and how a company

addresses areas of non-compliance; and disclosure of factory locations)

The Gradient Index was designed to allow for modifications in the weighting given to each of the five categories in order to reflect the priorities of the organization carrying out the research. Table 1 shows how ETAG decided to weight each category as compared to AccountAbility’s original weightings.

Under ETAG’s weighting, stakeholder engagement and auditing and reporting are a full 55% of the score. This reflects a growing recognition among leading companies that self-regulatory efforts are not sufficient and that transparent auditing and reporting as well as engagement with stakeholders are key elements in effective code implementation programs. Conversely, we put slightly less emphasis than does AccountAbility’s original weighting on internal governance practices.

We made some additional alterations to the Gradient Index to account for recent developments in reporting on global supply chains, such as public disclosure of global supply chains. See Appendix C for more details.

<sup>8</sup> AccountAbility’s Gradient Index system can be seen on the following web site: [www.gradient-index.net](http://www.gradient-index.net)

# Research criteria

## Nineteen criteria were used

in our research. These criteria are described in general terms in this section. See Part II of this report for a full description of the criteria and the weighting used for each criteria within each category.

In some cases unanticipated issues arose when we were faced with the difficult task of rating companies on their publicly reported efforts and initiatives. Some of these issues are presented below.

### Governance and Risk Management

This category evaluates the extent to which a company's board of directors have recognized and begun to address the potential risks associated with labour standards compliance in its supply chain. We surveyed company reporting in the following criteria:

- Whether specific directors or board committees have active responsibility for ethical issues in the supply chain;
- Whether the company has included in its annual reports a discussion of labour standards issues in the supply chain as a potential material risk factor for the company; and
- Whether the extent of these risks for the company's existing supply chain has been or will be evaluated by the company in any systematic manner.

Basic points were awarded for inclusion of labour rights issues in the supply chain amongst a list of risk factors to be considered by investors. Further points were awarded for evidence of a more in-

depth discussion of the specific kinds of risks faced by companies in this sector. Lastly, companies received points for indicating that they either have conducted or are conducting a more in-depth analysis of the extent of their company's actual exposure to ethical risks in their supply chain.


### Code for Labour Standards in the Supply Chain

The purpose of this category is to assess the public accessibility, completeness, and application of the company's policies and codes of conduct on labour standards in the supply chain. We evaluated:

- Whether the code of conduct is publicly available;
- The quality and scope of the code of conduct for labour standards in the supply chain; and
- Whether the code applies only to the company's production supply chain or also to its own procurement.

While the availability and scope of the code of conduct are self-evident criteria, the points awarded for the quality of a company's code deserve further discussion.

Companies that address all of the core labour rights in their codes of conduct (without qualification or limitation) were awarded 50%. Companies that address all of the core labour rights but qualify their commitment to one of these core labour rights were awarded 25%. Companies that qualify their commitment to *more than one* core labour right or that do not address all of the core labour rights in their codes received 0.



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we wear

If the code includes hours of work provisions that are consistent with the relevant ILO conventions, the company was awarded an extra 25%. Another 25% was awarded for including a commitment to payment of a living wage in the code.

Only companies that have codes that are consistent with ILO core conventions, plus ILO conventions on hours of work and that include a living wage provision were awarded 100% in this section.

### **ILO core conventions**

As a beginning step in a company's labour standards compliance program, a code of conduct should at minimum meet the core conventions of the International Labour Organization (ILO).<sup>9</sup> These core conventions are so fundamental as to be considered binding on every country rather than only being applicable to the signatories to particular core conventions.

Three core labour rights to which companies often qualify their commitment are freedom of association, non-discrimination and the prohibition of child labour. Companies that qualify their commitment to freedom of association and the right to bargain collectively usually indicate that suppliers are only required to respect this right where and when it is legally recognized. In other words, suppliers are not expected to do more than they are required to do by law. A common justification given for qualifying a company's commitment to freedom of association is the legal restrictions on that right in China.

Regarding child labour, the ILO sets the minimum age at 15, and allows an exception of 14 for some kinds of labour in developing countries.<sup>10</sup> However, companies often qualify their commitment to this core labour right by setting the minimum age for employment at 14 for all countries, or at 15, but 14 "where the law of the country of manufacture allows." While companies may intend this qualification to apply only to developing countries that meet the qualifications for the ILO exemption, a literal interpretation would suggest that 14 is an acceptable minimum age in all countries where the law permits.

Regarding discrimination, the ILO says there shall be no discrimination in access to employment, to particular occupations, training, conditions of employment, pay or benefits on the basis of race, colour, gender, religion, political opinion, national extraction or social origin.<sup>11</sup> Companies that qualify their commitment to non-discrimination often limit its application to illegal forms of discrimination.<sup>12</sup>

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<sup>9</sup> Core conventions of the International Labour Organization (ILO) include Conventions 29 and 105 on the Elimination of Forced and Compulsory Labour, Conventions 87 and 98 on Freedom of Association and the Right to Collective Bargaining, Conventions 100 and 111 on the Elimination of Discrimination, and Conventions 138 and 182 on the Abolition of Child Labour.

<sup>10</sup> ILO convention No. 138 provides that the minimum working age should not be less than the age for completing compulsory schooling and never less than 15. Developing countries may make certain exceptions to this, and a minimum age of 14 years may be applied where the economy and educational facilities are insufficiently developed.

<sup>11</sup> Convention 111 calls for the elimination of discrimination and the promotion of equality of opportunity and treatment. Convention 100 requires equal pay and benefits for men and women.

<sup>12</sup> In other words, discriminatory practices that are not explicitly prohibited by national law are deemed acceptable, even if they are in violation of ILO Conventions 100 and 111. Some companies qualify their commitment to non-discrimination by stating that they will "favour" suppliers that ensure there is no discrimination. In other words, they reserve the right to use suppliers that they know are employing or condoning discriminatory practices.

## Hours of work and living wage

Standards for hours of work for various occupations and workplaces are established by numerous ILO conventions. The general rule is that workers shall not be required to work more than 48 hours per week on a regular basis, that overtime hours shall be voluntary and restricted to 12 hours per week, and that workers are entitled to one day off in every seven-day period.

There is growing consensus on the need to include provisions in codes of conduct that provide for payment of a living wage. While a company should at minimum ensure that the legally-mandated minimum wages are being paid, without restriction, and that the prevailing industry wage in the area is being met, it should also commit to ensuring that the wage being paid is sufficient to meet the workers' basic needs by local standards.

## Stakeholder Engagement

The purpose of this section is to evaluate the extent to which a company reports actively engaging with key stakeholders, such as NGOs and unions, in importing countries and in the country of manufacture. We assessed reporting by companies in the following areas:

- Membership in multi-stakeholder initiatives, such as the Ethical Trading Initiative (ETI), the

Fair Labor Association (FLA), or Social Accountability International (SAI), and/or involvement in a comparable initiative that includes the active participation of both NGOs and labour.

- Engagement with NGOs and/or trade unions relating to labour standards in supply chains. Regular rather than ad-hoc engagement was viewed favourably, and engagement with worker and human rights organizations over time in the country of manufacture was viewed as best practice.


Our definition of a multi-stakeholder initiative should be clarified here. The initiatives we considered included representation from labour, NGOs and companies.<sup>13</sup> Those that do not include NGO or labour representation in decision-making bodies, such as the Worldwide Responsible Apparel Production certification program (WRAP) or the Business Social Compliance Initiative (BSCI), were not considered multi-stakeholder initiatives.

## Management

Without a commitment of material and managerial resources to achieving and maintaining compliance with a code of conduct, the code becomes little more than window dressing. Furthermore, without proper training for both factory management personnel and workers on the ground, the

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<sup>13</sup>The US-based Fair Labor Association (FLA) is a unique case. The FLA does include seats for labour and NGOs on its board of directors, but US labour organizations, while involved in the initial development of the initiative, have chosen not to be represented on the FLA board at this time because of their objections to some aspects of the FLA monitoring program. That said, there is evidence of substantial consultation with labour organizations and provisions in the FLA Bylaws for labour representation in FLA governance bodies. For those reasons, we have considered the FLA a multi-stakeholder initiative for the purposes of this study.



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application of the code becomes arbitrary and, in most cases, non-existent.

It is notable that amongst the compliance problems reported by the Fair Labor Association in its 2004 Annual Report, “code awareness was one of the leading issues uncovered by monitors... making up 7 percent of all reported non-compliance issues.” As the FLA report notes, “Workers’ awareness of code provisions is essential for their effective implementation on a daily basis.”<sup>14</sup> Where workers are not even aware of the existence or content of the code of conduct, its effectiveness is clearly limited.

We surveyed company reporting in the following criteria:

- Resource commitment: whether there is a senior manager whose primary responsibility includes labour standards in the supply chain and who is two or fewer reporting levels from the board.
- Training for buying agents: ongoing, scheduled training for buying agents on labour standards in the supply chain demonstrates a commitment to considering labour rights in business decisions.
- Training for factory management personnel and workers: ongoing, scheduled training for factory management personnel and factory workers on labour standards in the supply chain implies that the company is taking steps to ensure that workers are aware of their rights and able to address issues of non-

compliance. We consider ongoing, scheduled training for workers, in addition to training for factory management personnel, to be best practice in this area.

- Rewards and incentives linked to performance on labour standards: as with rewards for meeting or exceeding other performance targets, senior managers and purchasing staff should be rewarded for improving a company’s labour standards compliance.<sup>15</sup>

## Auditing and Reporting

This category rates the extent to which companies report having begun to audit for labour standards compliance within their supply chains, how auditing is planned, and how transparent the company is regarding audit findings and corrective action.

We surveyed company reporting in the following areas:

- Commitment to auditing labour standards in the supply chain: whether there is commitment to auditing labour standards across the entire breadth of the supply chain or just a portion of the supply chain.
- Status of the audit schedule: whether an auditing work plan has been scheduled and is currently being implemented.

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<sup>14</sup> <http://www.fairlabor.org/2004report/overview/awareness.html#breakdown>

<sup>15</sup> The Gradient Index does not currently give points to companies that provide incentives and rewards to suppliers for achieving and maintaining compliance with labour standards policies. ETAG will consider including such criteria in next year’s Report Card.

- Public disclosure of manufacturing sites: whether the company has publicly disclosed the names and addresses of all of the facilities producing its own branded goods and those of any subsidiary brands owned by the company, or only its own branded goods or a portion of the facilities.
- Transparency of the labour standards auditing methodology: whether the supply chain labour standards auditing methodology is publicly available.
- External verification: whether there is evidence of third party involvement in external verification of labour standards compliance, and whether there is systematic input from NGOs and/or labour in the country of supply in the process.<sup>16</sup>
- Reporting on audit findings: whether there is full and complete disclosure of audit findings and corrective action, including quantitative analysis of audit findings at the factory or supplier level.
- Dealing with non-compliance: whether there is a policy for handling instances of non-compliance with the code, and whether this policy includes a staged approach to dealing with code violations.<sup>17</sup>

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<sup>16</sup> As noted in Appendix C, ETAG has chosen to exclude questions concerning the qualifications or training of auditors, in part because such information is not readily available, but also because of the continuing debate in the field concerning the quality of audits currently being carried out by commercial social auditing firms. For more information on this issue, see "Looking for a quick fix: How weak social auditing is keeping workers in sweatshops," Clean Clothes Campaign, Nov 2005. This report is available at: [www.cleanclothes.org/publications/quick\\_fix.htm](http://www.cleanclothes.org/publications/quick_fix.htm)

<sup>17</sup> It is worth noting that the Gradient Index does not include criteria concerning worker and third party complaint processes or other mechanisms for worker participation in the monitoring or remediation processes. Nor are there criteria concerning worker access to audit reports. ETAG will consider including such criteria in future Report Cards.

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**Table 2. Company ratings**

Levi Strauss & Co <sup>18</sup>	71
Nike <sup>19</sup>	69
Gap Inc. <sup>20</sup>	68
Liz Claiborne <sup>21</sup>	58
Mountain Equipment Co-operative (MEC)	58
Hudson's Bay Company <sup>22</sup> (HBC)	37
Wal-Mart	30
American Eagle Outfitters	29
Winners (TJX)	29
Roots*	24
La Senza	22
Mark's Work Wearhouse (Canadian Tire) <sup>23</sup>	21
Northern Group*	5
Sears Canada	5
Forzani Group <sup>24</sup>	0
Le Château	0
Polo Ralph Lauren	0
Reitmans <sup>25</sup>	0
Boutique Jacob*	0
Giant Tiger*	0
Grafton-Fraser*	0
Harry Rosen*	0
International Clothiers*	0
Tristan and America*	0
YM Inc.*	0

\* Private companies

## Company Ratings

The chart to the left compares the overall ratings of apparel companies based on their labour standards reporting. Because this study was based exclusively on publicly available information, it is possible that some of the companies surveyed are taking more action on these issues than they are reporting to the public. Detailed company Report Cards can be found in Part II of this report.

Based on ETAG's criteria, none of the companies surveyed is currently providing sufficient, credible and verifiable information to consumers or shareholders to allow informed ethical choices. However, there are significant differences in the kinds and level of information being provided on companies' efforts to address labour standards issues in their supply chains.

<sup>18</sup> Levi Strauss & Co banners: Levi's, Dockers, Levi Strauss Signature

<sup>19</sup> Information included in the Report Card only applies to Nike and Jordan brands

<sup>20</sup> Gap Inc. banners: Gap, Banana Republic, Old Navy

<sup>21</sup> Liz Claiborne banners: 28 apparel brands, including Liz Claiborne, Mexx, DKNY, Lucky Brand Jeans, Juicy Couture, Ellen Tracy

<sup>22</sup> HBC banners: The Bay, Zellers, Home Outfitters

<sup>23</sup> Mark's Work Wearhouse (MWW) is the apparel division of Canadian Tire Corporation. The rating for MWW is based on public reporting by Canadian Tire Corp.

<sup>24</sup> Forzani corporate banners: Sport Check, Sport Mart, Coast Mountain Sports, National Sports and franchise banners: Sports Experts, Intersport, Atmosphere, RnR

<sup>25</sup> Reitmans Canada Ltd. operates under eight divisions including: Reitmans, Smart-Set/Dalmys, RW & CO., Penningtons Superstore, Thyme Maternity, and Addition-Elle



## Private vs Public

One of the first distinctions we were forced to make in surveying these top brands and retailers was between public and private companies. We did this for two reasons. First, depending on their incorporation, private companies may not have the same corporate structure as public companies, and therefore some of the criteria in the first section of the survey may not apply. Second, public companies

are legally compelled to report on financial matters (including risks) to shareholders and public financial markets, while private companies are not.

Most public companies included in our study provide some information on the efforts they dedicate to dealing with worker rights issues in their supply chains. Four public companies, however, score zero on all the criteria: Reitmans, Polo Ralph Lauren, Le Château and Forzani Group.

**Table 3.**  
**Public**  
**company**  
**scores**

	<i>Governance and risk management</i>	<i>Code for labour standards</i>	<i>Stakeholder engagement</i>	<i>Management</i>	<i>Supply chain auditing and reporting</i>	<i>Total score</i>
Levi Strauss & Co <sup>26</sup>	100	63	83	47	73	<b>71</b>
Nike	70	42	83	47	85	<b>69</b>
Gap Inc.	40	33	100	47	85	<b>68</b>
Liz Claiborne	30	63	67	30	73	<b>58</b>
MEC <sup>27</sup>	30	78	50	30	78	<b>58</b>
HBC	77	48	0	27	47	<b>37</b>
Wal-Mart	20	33	0	36	47	<b>30</b>
American Eagle Outfitters	0	48	0	42	37	<b>29</b>
Winners (TJX)	0	33	0	27	52	<b>29</b>
La Senza	0	93	0	15	15	<b>22</b>
Mark's Work Wearhouse	60	33	0	0	29	<b>21</b>
Sears Canada	0	33	0	0	0	<b>5</b>
Forzani Group	0	0	0	0	0	<b>0</b>
Le Château	0	0	0	0	0	<b>0</b>
Polo Ralph Lauren	0	0	0	0	0	<b>0</b>
Reitmans	0	0	0	0	0	<b>0</b>

<sup>26</sup> Levi Strauss & Co is technically a private company, but because it has publicly-traded bonds, we have included it among the public companies.

<sup>27</sup> Mountain Equipment Co-op is a consumer co-operative in which the Board of Directors is elected by co-op members. While MEC is not technically a public company, its governance structure has more in common with a public company than a private one.

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**Table 4.  
Private  
company  
scores**

	<i>Governance and risk management</i>	<i>Code for labour standards</i>	<i>Stakeholder engagement</i>	<i>Management</i>	<i>Supply chain auditing and reporting</i>	<b>Total score</b>
Roots	0	33	17	12	37	<b>24</b>
Northern Group	0	33	0	0	0	<b>5</b>
Boutique Jacob	0	0	0	0	0	<b>0</b>
Giant Tiger	0	0	0	0	0	<b>0</b>
Grafton-Fraser	0	0	0	0	0	<b>0</b>
Harry Rosen	0	0	0	0	0	<b>0</b>
International Clothiers	0	0	0	0	0	<b>0</b>
Tristan and America	0	0	0	0	0	<b>0</b>
YM Inc.	0	0	0	0	0	<b>0</b>

Although private companies are not compelled to report to shareholders, we believe they have an obligation to report to their customers on labour rights issues so that customers can make an informed choice about what they buy and from whom.

In addition, publicly traded banks and other financial institutions often lend to private companies. Without information on these companies' labour standards compliance programs, including risk factors and actions taken to address them, financial institutions are unable to assess risk or track progress on labour standards issues as part of due diligence.

As can be seen from the research results, most private companies are found sorely lacking on transparency. In our study, Roots stands out amongst the private companies on its labour standards reporting.

## Large vs Small

While it is important to take into account a company's size when assessing the scale of its efforts on labour standards compliance, it is not impossible for smaller companies to avail themselves of the opportunities now available to improve their performance on these issues. In fact, given that the Canadian public has consistently expressed preference for socially responsible companies,<sup>28</sup> it may be a competitive advantage for smaller companies to market themselves on the basis of their commitment to workers' rights in order to distinguish themselves in a crowded marketplace.

<sup>28</sup> See *The Vector Poll on Public Opinion in Canada*, February 2002, and *The Vector Poll on Public Opinion in Canada*, conducted for the Canadian Democracy and Corporate Accountability Commission, October 2001, Vector Research & Development Inc.

Our results show that larger companies tend to perform better in reporting on labour standards compliance programs. However, despite the greater resources they have available to monitor and report on labour standards issues, some of the larger companies report very little on what they have done to address worker rights issues compared to smaller companies. In our survey, it's notable that one of the biggest sportswear companies in Canada, Forzani, scores zero, while their much smaller competitor, Mountain Equipment Co-op, finds itself in the top ranks of companies surveyed.

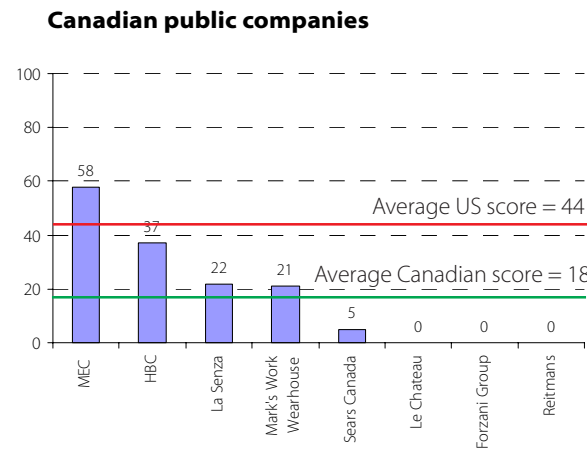
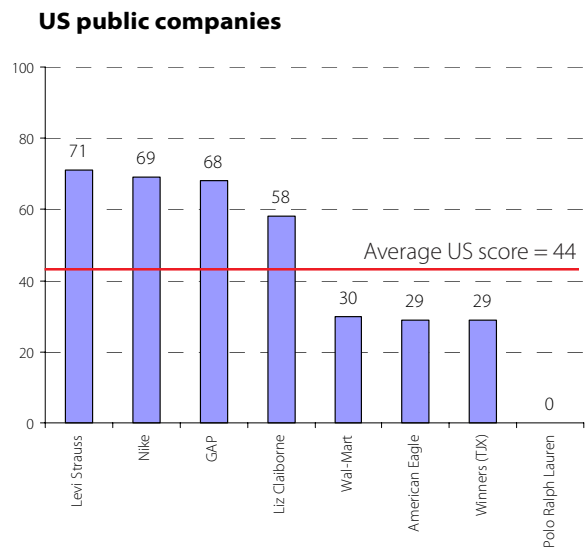
## Canadian vs US

Canadian public companies fare quite poorly as compared to US-based public companies.<sup>29</sup> With the exception of MEC, not a single Canadian company scores higher than the average score (44) of all US-based companies surveyed.

Contrary to the public image of Canadian companies as socially responsible,<sup>30</sup> it appears that Canadian companies in the apparel sector have generally fallen behind US-based companies in reporting on their efforts to address labour rights issues in their supply chains.


This may be partly a result of the relative size of the companies. However, it is more likely a result of the

**Table 5.**  
**US and Canadian public company reporting scores**



<sup>29</sup> We found little differentiation between Canadian and US-based private companies. It must be noted that most private companies included in this survey are Canadian-owned.

<sup>30</sup> According to the 2001 Vector poll cited above (see footnote 28), a majority of Canadians feel Canadian companies have become more socially responsible in recent years.



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level of public pressure exerted on major US brands over the last ten years, which has forced some market leaders to address these issues in a more serious manner. In any event, it is clear that many Canadian companies have some catching up to do.

## **Brand Merchandisers vs Retailers**

US-based brand merchandisers, such as Nike and Levi Strauss & Co, and own-brand retailers (specialty stores), such as Gap Inc., have been the targets of anti-sweatshop campaigns for the past decade. These companies rate higher than other companies with less invested in brand identity, such as department stores and discount chains. Not surprisingly, these companies also rate highest on engagement with stakeholders.

It is worth noting, however, that the distinction between retailers, specialty retailers and brand merchandisers is becoming less well defined as department stores and discount chains put more emphasis on marketing private label products, and brand merchandisers, like Nike, open retail outlets. Levi Strauss & Co, which was formerly considered an apparel manufacturer, was included in the study because it has shifted from directly owning manufacturing facilities to subcontracting production, and, like other brand merchandisers, now focuses on design and marketing.

Despite their relatively higher ratings, these leading brands and specialty retailers need to improve their performance on several issues: code of conduct standards (all, but especially Gap Inc. and Nike),

disclosure of audit results (Levi Strauss & Co) and disclosure of factory locations (Gap Inc.).

## **Governance and Risk Management**

While an increasing number of companies report assigning responsibility for ethical issues in their supply chain to senior executives or committees, the systems in place for management of labour rights issues are still relatively undeveloped.

Among the companies selected for our study, a minority<sup>31</sup> reports assigning specific responsibility for ethical issues in their supply chain to board members or committees.

Public and private companies are distinctly different in this category, likely because the questions regarding board structure may not apply to all private companies. In addition, as a general rule, the private companies are not obligated to report to the public any details about their management structures or their assessments of business risks. Largely because of these differences, we assessed public and private companies separately.

There is very little reporting on labour standards issues as a risk factor by any of the companies surveyed for this study. With a few notable exceptions, if risks to the company's business success from failure to comply with international labour standards are being measured, an analysis

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<sup>31</sup> Only Gap Inc., HBC, Levi Strauss & Co, Mark's Work Wearhouse and Nike report assigning responsibility for ethical issues in the supply chain to board sub-committees or members.

of those potential risks is not being reported to investors or customers. Amongst the companies studied, Levi Strauss & Co produces the most thorough description in its annual 2005 10-K filing of the risks it faces.

*We rely on outsourced manufacturing of our products. Our inability to secure production sources meeting our quality, cost, working conditions and other requirements, or failures by our contractors to perform, could harm our sales, service levels and reputation....*

*We require contractors to meet our standards in terms of working conditions, environmental protection, security and other matters before we are willing to place business with them. As such, we may not be able to obtain the lowest-cost production. In addition, the labor and business practices of independent apparel manufacturers have received increased attention from the media, non-governmental organizations, consumers and governmental agencies in recent years. Any failure by our independent manufacturers to adhere to labor or other laws or appropriate labor or business practices, and the potential litigation, negative publicity and political pressure relating to any of these events, could harm our business and reputation.<sup>32</sup>*

This analysis, shared with investors as part of management's discussion of market risks, satisfies requirements in section 1.2 of our survey. HBC, Mark's Work Wearhouse and Wal-Mart mention labour standards issues as a risk factor in their annual report, but there is no reported evidence of a systematic analysis of the kinds of risks the company faces in this area.

In section 1.3 of our survey we sought evidence that companies have conducted their own internal risk analyses as a way of identifying and prioritizing risks that need to be managed. Again, only three companies – HBC, Levi Strauss & Co and Nike – report having conducted such an analysis.

For example, Nike reports that it conducts an internal risk analysis of labour standards compliance issues in its supply chain as a means of determining which factories receive Nike's more extensive "M-Audits" (as opposed to its less intensive but more frequent SHAPE audits), based on:

- *The country of manufacture, to account for countries with poor standards or lax enforcement;*
- *The size of the worker population, because larger factories mean more people affected by potential non-compliance;*
- *The nature of manufacturing, because non-compliance in factories using more solvents or heavy machinery puts workers at a greater potential risk; and*
- *The past compliance performance of the factory or its ownership team, which tends to be better in factories where we have had long-term business relationships.<sup>33</sup>*


Liz Claiborne and MEC, which are members of the Fair Labor Association (FLA), were also awarded full marks under 1.3 because the FLA conducts risk assessments to determine which factories will be subject to independent external monitoring.<sup>34</sup>

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<sup>32</sup> Levi Strauss Form 10 K, filed February 7, 2005, p.74

<sup>33</sup> Nike FY04 Report, p. 22

<sup>34</sup> See FLA Charter, p. 21 <http://www.fairlabor.org/all/about/FLACharter.pdf>



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The fact that we found relatively little in terms of “best practices” to recommend to companies in these latter two criteria may indicate that few of the companies surveyed have been the subject of campaigns and media exposés or suffered reputational and/or financial consequences as a result, and therefore do not tend to consider the “sweatshop” issue a material risk for their business. As the material risks become more evident, and as investors demand some assessment of these risks, we anticipate being better able to compare company reporting in these criteria against best practices.

## Code for Labour Standards

Fourteen of the 25 companies surveyed have a code of conduct that is available to the public. We found one or more problems with most company codes. Given that codes of conduct were one of the earliest responses to concerns about labour rights abuses in apparel supply chains, we would have expected performance in this criterion to be better, at least amongst the industry leaders.

Eight companies were given a zero on the core labour rights provisions in their codes of conduct because these provisions were not consistent with more than one of the ILO core conventions: Gap Inc., HBC, Northern Group, Roots, Sears Canada, Wal-Mart, Winners (TJX), and Mark’s Work Wearhouse.

Only one company, La Senza, was awarded the maximum score on its code, which is surprising given that the company scores poorly in most other areas. Equally surprising is Gap Inc.’s low score on its code standards, since Gap rates much higher than La Senza or most other companies on code monitoring and reporting. Since Gap is a member of both Ethical Trading Initiative (ETI) and Social Accountability International (SAI), whose standards are consistent with ILO Conventions, we anticipate that Gap will be making improvements in its code of conduct in the near future, and will therefore receive a higher score on code provisions in future report cards<sup>35</sup>.

Also surprising is the Hudson’s Bay Company’s (HBC’s) low score on its code of conduct, since HBC is a member of the Global Compact and is generally viewed as being committed to ILO standards. Although the HBC code does include provisions on the four core labour rights, as well as “a wage that results in a decent living,” it qualifies its commitment to ILO standards on freedom of association, non-discrimination and child labour.

### ILO core conventions

As noted above, some companies qualify their commitment to the ILO standards on respect for freedom of association and collective bargaining, saying they will respect this right “where lawful” or “where applicable.”

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<sup>35</sup> On November 17, 2005, Gap Inc. posted on its website a statement declaring its support for a standardized universal code of conduct based on ILO conventions, noting its active involvement in the Joint Initiative on Corporate Accountability and Workers’ Rights (JO-IN) and its support for the common code of conduct that has been drafted by the initiative. In that same statement, it declared its commitment to “the principle that wages should be sufficient to meet basic needs and provide some discretionary income.” We did not give points to Gap for its commitment to this principle because there is no publicly available information as to whether the company is auditing to this standard. See: [www.gapinc.com/public/SocialResponsibility/sr\\_ethic\\_cvc.shtml](http://www.gapinc.com/public/SocialResponsibility/sr_ethic_cvc.shtml).

**Table 6. Quality and scope of the code of conduct**

Company	Score	Core labour rights	Hours of work	Wages
La Senza	100	✓✓ Consistent with the ILO core conventions	✓ Consistent with ILO conventions on hours of work	✓ Includes living wage
MEC	75	✓✓ Consistent with the ILO core conventions	✓ Consistent with ILO conventions on hours of work	* Does not address living wage
Levi Strauss, Liz Claiborne	50	✓✓ Consistent with the ILO core conventions	* Not consistent with ILO conventions on hours of work	* Does not address living wage
American Eagle Outfitters, Nike	25	✓ Addresses all ILO core labour rights, but qualifies the company's commitment to, or is not consistent with <b>one</b> of the core conventions	* Not consistent with ILO conventions on hours of work	* Does not address living wage
HBC	25	* Addresses all ILO core labour rights, but qualifies the company's commitment to, or is not consistent with <b>more than one</b> of the core conventions	* Not consistent with ILO conventions on hours of work	✓ Includes living wage
Gap, Northern Group*, Roots*, Sears Canada, Wal-Mart, Winners (TJX)	0	* Addresses all ILO core labour rights, but qualifies the company's commitment to, or is not consistent with <b>more than one</b> of the core conventions	* Not consistent with ILO conventions on hours of work	* Does not address living wage
Mark's Work Wearhouse	0	** Addresses some, but not all, ILO core conventions	* Not consistent with ILO conventions on hours of work	* Does not address living wage

**No evidence of a publicly available code of conduct:** Boutique Jacob\*, Forzani Group, Giant Tiger\*, Grafton-Fraser\*, Harry Rosen\*, International Clothiers\*, Le Château, Polo Ralph Lauren, Reitmans, Tristan and America\*, YM Inc\*.

\*Private companies



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The usual reason given for qualifying a company's commitment to freedom of association is the legal prohibition on freedom of association in China. For companies producing goods in China, the inability to guarantee compliance with this code standard within mainland China leads them to limit their commitment to the standard rather than seek alternative means of meeting it.

This can create misleading reports on compliance with freedom of association standards. For example, Gap Inc. reported in its *2003 Social Responsibility Report*<sup>36</sup> that there were no violations of Gap's standards on the right to freedom of association in its Chinese supply factories. In fact, the reason no violations of the freedom of association standard were reported is because freedom of association is not legal in China. This creates the perverse result that factories where a right is completely denied appear to have no violations of freedom of association. Gap Inc. made note of this discrepancy in its *2004 Social Responsibility Report*, saying that it believes violations in this area are wider than the company data suggest:

*Freedom of association is an especially complicated issue in the Chinese legal context. We recognize that Chinese workers, like all workers, have an important voice that needs to be heard by management in a regular and consistent way. Chinese law, however, stipulates that workers may organize only under the umbrella of the government-sponsored trade union. We are currently examining ways in which we can facilitate lawful "parallel means" to free association in China in order to provide workers with the opportunity and means to*

*raise concerns and seek solutions without the fear of repercussions. We have begun taking small steps in a few Chinese factories to facilitate the formation of worker committees around health and safety issues and recreational activities.*

Five companies – La Senza, MEC, Levi Strauss & Co., Liz Claiborne and Sears Canada – do not qualify their commitment to freedom of association. Levi Strauss' code includes an unusual provision on freedom of association that appears to condone management interference with workers' associational rights where such interference is lawful. However, the company's Terms of Engagement clarify that while suppliers are not required to act illegally to fulfill their obligation to respect freedom of association, they are prohibited from obstructing lawful forms of democratic worker representation.

The Levi Strauss & Co code of conduct states:

*We respect workers' rights to form and join organizations of their choice and to bargain collectively. We expect our suppliers to respect the right to free association and the right to organize and bargain collectively **without unlawful interference**. Business partners should ensure that workers who make such decisions or participate in such organizations are not the object of discrimination or punitive disciplinary actions and that the representatives of such organizations have access to their members under conditions established either by local laws or mutual agreement between the employer and the worker organizations. [emphasis ours]*

However, in its *Terms of Engagement Guidebook* the company clearly interprets this provision to

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<sup>36</sup> Gap Inc. *2003 Social Responsibility Report* p.15.



indicate that suppliers are expected to do more than merely comply with the law:

*Laws in different countries vary substantially regarding freedom of association. Most countries maintain procedural regulations on the actions of workers and employers. Some countries place substantial restrictions on workers' rights of association. The TOE provision on free association neither permits, nor requires LS&CO or its business partners to engage in unlawful activities to protect the rights of association. Nevertheless, where the right to freedom of association and collective bargaining is restricted under law, the supplier should not hinder the development of lawful parallel means for independent free association and bargaining.<sup>37</sup>*

Such provisions are designed to facilitate “parallel means” of democratic worker representation in countries like China where freedom of association is prohibited by law. “Parallel means” often include facilitating worker rights training and the democratic election of worker representatives to health and safety committees. Levi Strauss & Co’ Terms of Engagement also include additional instructions on how suppliers are to recognize and respect the right to free association and collective bargaining.

Regarding child labour, six companies limit their commitment to the ILO standard on child labour. Four of those companies – Gap Inc., Sears Canada, Wal-Mart, TJX (Winners) – indicate in their codes that the minimum age for employment is 14. Northern Reflections and HBC set it at 15, or 14 “where the law of the country of manufacture allows.” We hope that these six companies will consider improving their standard on child labour by specifically referencing the relevant ILO conventions.

Regarding discrimination, four companies – HBC, Roots, Sears Canada and Wal-Mart – qualify their commitment to workplaces free of discrimination. For instance, Wal-Mart’s and HBC’s codes say they will favor suppliers who do not discriminate. Levi’s code also states that “We will favor partners who share this value.” However, the company’s Terms of Engagement clarify that suppliers are required to meet the standard.

#### **Hours of work and living wage**

Only two companies with publicly available codes of conduct (La Senza and MEC) meet the standards of ILO conventions on hours of work. These conventions limit the normal workweek to 48 hours, with a maximum of 12 hours overtime, and entitle workers to one day off in every 7-day period. In contrast, Wal-Mart’s code allows a 72-hour workweek and a 14-hour workday.

Of the companies surveyed, only HBC and La Senza have incorporated a living wage standard in their codes. La Senza’s code describes a living wage as “a wage that should always be sufficient to meet basic needs and provide discretionary income.” HBC’s code is less precise, stating that workers are entitled to “a wage that results in a decent living.” Neither company provides any information on how its living wage provision is being implemented in its supply chain. As noted above, Gap Inc. has recently declared its support for the principle of a living wage that meets basic needs and provides some discretionary income.<sup>38</sup> However, this principle has not yet been incorporated into the company’s code of conduct.

<sup>37</sup> Levi Strauss & Co. Terms of Engagement Guidebook, p. 22.

<sup>38</sup> See [www.gapinc.com/public/SocialResponsibility/sr\\_ethic\\_cvc.shtml](http://www.gapinc.com/public/SocialResponsibility/sr_ethic_cvc.shtml).

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## Stakeholder Engagement

The five companies that rate the highest in the Report Card overall – Levi Strauss & Co, Nike, Gap Inc., Liz Claiborne, MEC – are also the only public companies that report involvement in multi-stakeholder initiatives (MSIs) and/or engagement with NGOs and trade unions.

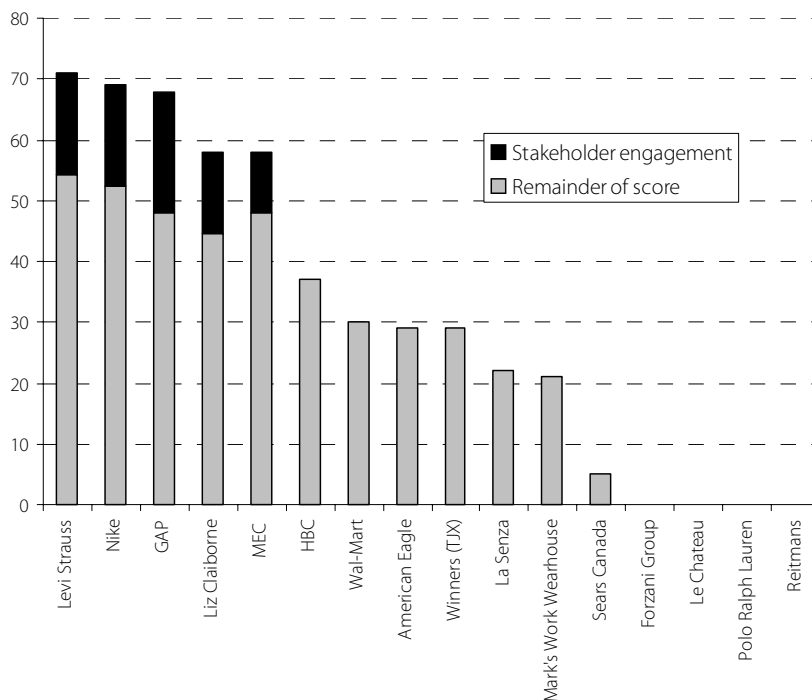
Gap Inc. receives the highest score on engagement with stakeholders (100), separate from involvement in MSIs, based on its reported engagement over time with local unions in Lesotho, labour and human rights organizations in Cambodia, and local NGO monitoring organizations in Central America. Nike and Levi Strauss receive the second highest score (66.7), based on their reported engagement over time with labour and non-governmental organizations in importing countries, as well as

reports of engagement with local stakeholders in countries of manufacture, in which it was unclear if engagement was over time. Liz Claiborne receives a score of 33, based on reports of ad hoc engagement with local NGOs and labour organizations in Guatemala, Sri Lanka, and Hong Kong. Roots receives the same score for reported ad hoc engagement with NGOs in Canada.

It is worth noting that companies that are members of MSIs and/or report engaging with stakeholders tend to do well in most other categories of the Report Card as well. This can be explained in different ways.

One, a company that is engaging with stakeholders tends to publish more information on its activities than one that is disengaged, therefore rating higher in this survey of public reporting.

**Table 7. Stakeholder engagement and total scores for public companies**



Two, a company that is engaging with trade unions and NGOs on the ground is more likely to be taking additional steps to address labour rights issues in its supply chain because engagement provides greater access to information and raises expectations of greater accountability to local stakeholders. It is also likely that stakeholder engagement itself is a logical outcome of a more developed labour standards compliance program.

Lastly, the involvement of companies in a multi-stakeholder initiative, such as the Fair Labor Association (FLA) or the Ethical Trading Initiative (ETI), imposes certain additional requirements on the company, such as public reporting, monitoring by accredited external auditors, and/or respect for core labour rights.<sup>39</sup>

## Management

We found that while a majority of publicly-owned companies have publicly available codes of conduct, very few report having upper-level management responsible for labour standards compliance in the supply chain and/or systematic training for buying agents, factory management personnel or workers.

Only four companies – American Eagle Outfitters, HBC, Roots and Winners (TJX) – mention having conducted training sessions for their buying/

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<sup>39</sup>The involvement of Canadian companies in multi-stakeholder initiatives like the FLA is relatively recent. Mountain Equipment Co-op joined the FLA during the course of our research and its rating changed significantly as a result. Roots has recently applied for FLA membership.


sourcing agents. However, there is no indication that this is routine within their CSR programs.

With the exception of Levi Strauss & Co, Gap Inc. and Nike, no company reports on its efforts to provide training to workers and factory management personnel on labour rights and codes of conduct. With the possible exception of Gap Inc., there is no indication that worker training takes place on a regularly scheduled basis as part of companies CSR programs. Wal-Mart mentions trainings for factory management, but not for workers.

No company reports any incentive programs for senior management and/or procurement staff designed to recognize good performance on labour standards in the supply chain. However, Nike reports that it has instituted a new incentive program for suppliers in which their ratings for CSR performance are integrated with their overall performance ratings. As well, Gap Inc. reports that the integration of CSR ratings with other performance ratings is being planned for 2006-07.

## Auditing and Reporting

Most companies that have a publicly available code of conduct report committing resources to supply chain auditing. While the audit schedule and methodology are usually reported, most companies surveyed, including Levi Strauss & Co, do not publicly disclose the audit finding or corrective action. Most of the companies that have publicly available codes of conduct also report using third party inspectors, but only Gap Inc. reports including systematic input from NGOs and/or labour



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organizations in the country of supply into the verification of labour standards audits.

Companies belonging to multi-stakeholder initiatives (MSIs) tend to fare better in all categories related to supply chain management and reporting than those who conduct their own code compliance programs. This is likely because even where companies outside MSIs choose to use external auditors to supplement their own internal monitoring, the identity of those auditors is not often revealed, benchmarks for auditors are usually not reported, and audit findings and corrective actions are not shared beyond the company and its supplier.

There are some exceptions. In recent years, HBC, for example, has begun reporting more thoroughly on the results of its auditing program. And even before joining the FLA, Mountain Equipment Co-op had been releasing its own social responsibility reports,

which highlighted audit results and noted that the company used the services of Verité to audit some of its factories.

One notable new development in April 2005 was that Nike disclosed the names and addresses of all factories producing for the Nike brand. Since then, Levi Strauss & Co, Puma and Timberland have followed suit by also disclosing their global supply chains. Disclosure of supply factories is a significant demonstration of a company's commitment to transparency and to labour standards compliance, as it allows for independent assessments of labour standards compliance and puts the company's reputation on the line if violations are reported. Companies that disclose factory location are, in effect, inviting civil society organizations and workers to bring worker rights violations to their attention when and if such violations take place. It is our hope that other companies will match this commitment in the coming year.

# Conclusion

## What Can We Learn From the Findings?

The following are ETAG's general conclusions based on the detailed findings outlined in the individual company report cards:

### Room for Improvement

Based on ETAG's criteria, none of the 25 retailers and brands surveyed is currently providing sufficient, credible and verifiable information to consumers or investors to allow them to make informed ethical choices. Almost half of the companies surveyed provide no publicly available information on their policies or efforts to address labour standards issues in their supply chains.

There are, however, significant differences in the kinds and level of information being provided by the companies that do report on labour standards issues.

### Campaigning Pays Off

Significantly, the companies that have been the target of anti-sweatshop campaigns and media exposés for the past decade are now providing the most transparent reports on their efforts to achieve and maintain compliance with their codes of conduct in their supply chains.

In general, these companies receive higher ratings because they provide evidence of a comprehensive and transparent approach to addressing labour rights issues in their supply chains that includes, in addition to codes of conduct and factory audits, collaboration with other companies and labour and non-governmental organizations in multi-stakeholder initiatives, public reporting on audit

findings and corrective action, labour rights training for workers and management personnel, and/or engaging with labour and non-governmental organizations in importing and producing countries.

The decision of two of these companies – Nike and Levi Strauss – to publicly disclose their supply factory locations contributed to them receiving the highest scores.

### Canadians Lagging Behind


Canadian companies fare relatively poorly as compared to US-based companies. With the exception of Mountain Equipment Co-op, not a single Canadian company scores higher than the average score of all US-based companies surveyed. The relatively poor ratings received by Canadian companies could reflect their relative lack of experience with media exposés or consumer campaigns on worker rights issues.

### Private Companies Report Little

In general, private companies rate much lower than public companies. While the relative size of the companies could be one factor in their ratings, it is also likely that private companies report less on labour standards issues because they have no legal obligations to report on other matters.

### Low Balling Standards

While a majority of the publicly-owned companies surveyed have codes of conduct that are available to the public, most of those codes include language



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and provisions that are less demanding than the internationally recognized minimum labour standards of the ILO.

Even the codes that address all core labour rights often include language that qualifies the company's commitment to freedom of association, non-discrimination and to the prohibition of child labour.

#### **Lack of Management/Board Responsibility**

Very few of the companies surveyed report having upper-level management dedicated to labour standards compliance in the supply chain.

Only a small minority report assigning specific responsibility for ethical issues in their supply chains to board members or committees.

There is also very little reporting on labour rights issues as a risk factor for investors by any of the companies surveyed for this study.

#### **Stakeholder Engagement: A Key Indicator**

Few of the companies surveyed report on efforts to engage with local labour or non-governmental organizations.

Significantly, companies that report efforts to engage with stakeholders tend to do well in most other categories of the Report Card.

Given recent reports on serious deficiencies in factory audits carried out by commercial social auditing firms, it is worth noting that industry leaders appear to be giving increased importance to engagement with local stakeholders and

involvement of workers in the ongoing monitoring process as key elements in effective code implementation programs.

#### **Lack of Training or Incentives**

Very few companies surveyed report any systematic training for management personnel or workers at the factory level, and none reports providing incentives for senior management and purchasing staff linked to performance on labour standards in the supply chain.

#### **Need for Greater Transparency**

Because this study was based exclusively on publicly available information, it is possible that some of the companies surveyed are taking more action on these issues than they are reporting to the public.

It would be in the interest of those companies to make known to investors and customers their efforts to ensure that the rights of the workers who make their products are respected.

In an era of increased transparency in the industry at the global level, it is no longer acceptable for Canadian companies to keep customers and investors in the dark.

If companies are unwilling to report to customers and investors on their efforts to ensure compliance with international labour standards, it's time for government to take action to require and/or encourage companies to disclose this vitally important information.

# Recommendations

ETAG believes that combined and complementary policies and actions by various actors will be needed to adequately address labour standards issues in global supply chains. We therefore put forward the following recommendations to companies, investors, lenders, the Canadian government, and consumers. If implemented, these recommendations would remove the veil of secrecy from Canada's apparel industry and set the stage for collaborative action to eliminate worker rights abuses in global supply chains.

## Recommendations to Retailers and Brands


### Improve your reporting

1. Provide transparent public reports on your company's code implementation program, including information on audit findings and corrective action taken, stakeholder engagement, worker rights training, and other steps your company is taking to meet and maintain compliance with international labour standards.
2. Publicly disclose the names and addresses of facilities manufacturing goods for your company.

### Improve your labour standards program

1. Ensure that your code of conduct is consistent with International Labour Organization (ILO) conventions, with particular attention to the core conventions on child labour, forced labour, discrimination, and freedom of association and the right to bargain collectively, and that it includes provisions for payment of a living wage by local standards and hours of work that comply with ILO standards.

2. Assign overall responsibility for labour rights in the supply chain to senior management officials and, where applicable, to a committee of the board of directors.
3. Institute internal monitoring and external verification systems that provide accurate information on code compliance throughout the supply chain.
4. Ensure that code compliance staff and external auditors are qualified and properly trained to monitor labour standards compliance, particularly with respect to workers' rights.
5. Institute a staged approach that prescribes corrective action to deal with non-compliance. Do not "cut and run" when violations are discovered.
6. Engage with NGOs and labour organizations in importing and manufacturing countries.
7. Facilitate the active participation of local NGOs and labour organizations in code monitoring and remediation.
8. Facilitate worker rights training for workers and management personnel at the factory level and ensure that suppliers and workers are knowledgeable about their rights and responsibilities under the code and local law.
9. Join a credible multi-stakeholder initiative and collaborate with other companies and labour and non-governmental organizations on seeking labour standards compliance and long-term solutions to persistent industry-wide problems.
10. Take special steps to ensure respect for freedom of association in countries where that right is restricted by law.



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we wear*

## **Recommendations to the Canadian Government**

Adopt policies and regulations that require and/or encourage companies selling apparel products in Canada to provide transparent reports on their efforts to meet and maintain compliance with ILO conventions in their global supply chains, including:

1. Regulations requiring companies to publicly disclose the factories where their apparel products are made, thereby creating a level playing field with companies that have already provided this level of transparency.
2. Regulations requiring companies, including private companies, to provide annual public reports on their efforts and progress in achieving compliance with ILO core conventions, and other relevant social and environmental standards, in their global supply chains.
3. Ethical procurement policies, based on ILO conventions, for federal departments, agencies and other bodies for the purchase of apparel and other textile products.
4. Preference in the granting of loans, grants, overseas investment insurance and other benefits to companies that have adopted codes of conduct that are consistent with ILO core conventions, are using credible third-party auditors to verify compliance with those standards, and are making public summaries of all audit reports and corrective action taken.

## **Recommendations to Investors**

1. Work with other shareholders and stakeholders to pressure companies to improve their public reporting on labour standards issues where they have been found lacking.
2. Urge companies to provide sufficient information on their labour standards compliance programs, including audit findings and corrective action, as well as risk assessments of relevant issues, to allow investors to track progress and make ethical choices.
3. Call on the federal government to adopt regulations requiring all apparel companies operating in the Canadian market to release annual public reports on their efforts and progress in achieving compliance with ILO core conventions and other relevant social and environmental standards.

## **Recommendations to Financial Institutions**

1. As part of due diligence in approving loans or credit, require companies to provide sufficient information on their labour standards compliance programs, including audit findings and corrective action, as well as risk assessments of relevant issues, to allow the lending institution to assess risk and track progress.
2. Work with other stakeholders to require companies to improve their public reporting on labour standards issues where they have been found lacking.



## **Recommendations to Consumers**

1. Urge all retailers and brands selling apparel products in the Canadian market to provide consumers with sufficient information on labour practices in their global supply chains and their efforts to improve those practices for consumers to make ethical choices when they shop.
2. Urge companies that have done poorly in the Transparency Report Card to meet and exceed the ratings of industry leaders in the coming year.
3. Encourage all retailers and brands to work with labour and non-governmental organizations to improve working conditions in apparel supply factories around the world and to tackle root causes of persistent worker rights abuses in the industry as a whole.

## **Part II**

### **Research Criteria and Individual Transparency Report Cards**



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**Part II:**

**Research Criteria and Individual Transparency Report Cards**

Criteria	Scoring	Weighting <sup>40</sup>
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**1. Governance and risk management (worth 10% of overall score)**

**1.1 Board-level responsibility for ethical issues in the supply chain**

There is a formal sub-committee of the Board of Directors with explicit responsibility for ethical issues in the supply chain.	100%	40%
There is a member of the Board of Directors with explicit responsibility for ethical issues in the supply chain.	66.7%	
There is a member of the Board of Directors or committee with responsibility for CSR issues, but it is not clear if this includes responsibility for ethical issues in the supply chain.	33.3%	
There is no evidence of responsibility at the Board of Directors level for ethical issues in the supply chain either specifically or as part of responsibility for CSR issues.	0	

**1.2 Reporting of labour standards issues in the supply chain as a risk factor**

There is evidence in the annual report and accounts of a systematic analysis of labour standards issues as a risk factor.	100%	30%
There is mention in the annual report and accounts of labour standards issues as a risk factor.	66.7%	
There is mention on the corporate website or in other corporate material of labour standards issues as a risk factor.	33.3%	
There is no mention of labour standards issues as a risk factor.	0	

**1.3 Risk analysis of ethical issues in the company's existing supply chain**

A risk or exposure analysis of ethical issues in the company's existing supply chain has been conducted.	100%	30%
A risk or exposure analysis of ethical issues in the company's existing supply chain is yet to be conducted, but there is a stated commitment to undertake one.	50%	
There is no mention of conducting a risk or exposure analysis of ethical issues in the company's existing supply chain.	0	

<sup>40</sup> Each question is assigned a percentage weighting within each section based on its importance to that section. Each section, in turn, is assigned a percentage weighting within the overall Report Card based on its importance. The section weighting is identified in the heading for each section.

Research criteria

Criteria	Scoring	Weighting
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**2. Code for labour standards in the supply chain (worth 15% of overall score)**

**2.1 Quality and scope of the code for labour standards in the supply chain**

A code for labour standards in the supply chain exists that covers all ILO core conventions, without qualification or limitation	50%	+25% if the code includes a living wage provision  +25% if the code includes an hours of work provision that is consistent with ILO conventions	60%
A code for labour standards in the supply chain exists that addresses all of the issues of the ILO core conventions but limits or qualifies the company's commitment to one of the ILO core conventions.	25%		
There is no code that addresses labour standards in the supply chain, or a code exists that covers some but not all ILO core conventions, or the code limits or qualifies the company's commitment to more than one of the core conventions.	0		

**2.2 Publication and availability of the code for labour standards in the supply chain**

The complete code for labour standards in the supply chain is available to the public. <sup>41</sup>	100%	20%
The code for labour standards in the supply chain is referred to in published information.	66.7%	
The company will supply the code for labour standards in the supply chain on request, but there is no reference to it in published information.	33.3%	
There is no evidence of a code for labour standards in the supply chain in published information.	0	

**2.3 Application of the code for supply chain labour standards**

The code for supply chain labour standards applies to the entire breadth of or almost the entire breadth of the supply chain, including the company's own procurement. <sup>42</sup>	100%	20%
The code for supply chain labour standards applies to the entire breadth of or almost the entire breadth of the supply chain but does not apply to the company's own procurement.	66.7%	
Application of the code is (clearly or deliberately) limited to the North American supply chain or to certain products or to selected suppliers or countries of supply.	33.3%	
It is unclear how much of the supply chain the code for supply chain labour standards applies to, or there is no code addressing labour standards in the supply chain.	0	

<sup>41</sup> To score 100%, all the elements of the code must be available to the public, rather than all the details surrounding its implementation.

<sup>42</sup> Where a company sources branded products as well as own-brand products, the "entire breadth of the supply chain" is taken to refer to the supply chain for own-brand products.



Criteria	Scoring	Weighting
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**3. Stakeholder engagement (worth 20% of the overall score)**

**3.1 Membership of multi-stakeholder processes**

The company is a member of the Ethical Trading Initiative, the Fair Labor Association or Social Accountability International and/or is involved in a comparable initiative that includes representation from both NGOs and labour.	100%	50%
The company is not a member of the Ethical Trading Initiative, the Fair Labor Association or Social Accountability International or of a comparable initiative that includes representation from both NGOs and labour.	0	

**3.2 Engagement with NGOs and/or trade unions relating to labour standards in supply chains**

There is evidence of stakeholder engagement over time with NGOs and/or trade unions (excluding membership of groups in 3.1) that includes engagement in country of manufacture.	100%	50%
There is evidence of stakeholder engagement over time with NGOs and/or trade unions (beyond membership of groups in 3.1) in the host country (Canada or USA) only.	66.7%	
There is evidence of only ad hoc stakeholder engagement with NGOs and/or trade unions (beyond membership in MSIs in 3.1), or it is unclear whether engagement is taking place over time.	33.3%	
There is no evidence of proactive engagement with NGOs and/or trade unions beyond membership in MSIs in 3.1.	0	

Criteria	Scoring	Weighting
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**4. Management (worth 20% of the overall score)**

**4.1 Resource commitment**

There is a senior manager whose primary responsibility includes labour standards in the supply chain. The manager is two or fewer reporting levels from the board. <sup>43</sup>	100%	30%
There is a senior manager whose primary responsibility includes labour standards in the supply chain. The manager is more than two reporting levels from the board, or it is not clear how many levels from the board he or she is.	50%	
There is no senior manager whose primary responsibility includes labour standards in the supply chain.	0	

**4.2 Training for buying agents**

There is ongoing, scheduled training for buying agents on labour standards in the supply chain.	100%	25%
There is training for buying agents on labour standards in the supply chain, but it is on an ad hoc rather than a scheduled basis.	50%	
There is no training for buying agents on labour standards in the supply chain.	0	

**4.3 Training for factory management personnel and workers**

There is ongoing, scheduled training for factory workers and management personnel on labour standards in the supply chain.	100%	25%
There is training for factory workers and management personnel on labour standards in the supply chain, but it is on an ad hoc rather than an ongoing, scheduled basis.	66.7%	
There is training for factory management personnel on labour standards in the supply chain, but there is no training for factory workers.	33.3%	
There is no training for factory management personnel or factory workers on labour standards in the supply chain	0	

**4.4 Rewards and incentives**

Incentives for senior management and/or purchasing staff are explicitly linked to their performance on labour standards in the supply chain.	100%	20%
Incentives for buying and/or ethical trading staff are explicitly linked to their performance on labour standards in the supply chain.	66.7%	
Incentives for labour teams are explicitly linked to their performance on labour standards in the supply chain.	33.3%	
There is no mention of incentives that are linked to labour standards in the supply chain.	0	

<sup>43</sup> Evidence sought specifically of a senior manager rather than a senior management-level committee.

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Criteria	Scoring	Weighting
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**5. Supply Chain auditing and reporting (worth 35% of the overall score)**

**5.1 Commitment to auditing labour standards in the supply chain**

There is a policy committing the company to auditing labour standards across the entire breadth of the supply chain.	100%	15%
There is a policy committing the company to ad hoc auditing or to pilot audits of labour standards across at least part of the supply chain, or the level of commitment to auditing labour standards in the supply chain is unclear.	50%	
There is no evidence of a policy committing the company to any form of auditing labour standards across any part of the supply chain.	0	

**5.2 Status of the audit schedule**

An auditing work plan has been scheduled and is currently being implemented. <sup>44</sup>	100%	5%
An auditing work plan has been scheduled but has not yet been implemented.	50%	
There is no scheduled work plan for auditing labour standards in the supply chain, or there is no auditing of labour standards in the supply chain.	0	

**5.3 Public disclosure of manufacturing sites**

The company has publicly disclosed the names and addresses of all of the facilities producing its own branded goods and those of any subsidiary brands owned by the company.	100%	10%
The company has publicly disclosed the names and addresses of all of the facilities producing only its own branded goods.	66.7%	
The company has publicly disclosed the names and addresses of a portion of the facilities producing its own branded goods.	33.3%	
The company has not publicly disclosed the names and addresses of the facilities producing its own branded goods.	0	

**5.4 Transparency of the labour standards auditing methodology**

The supply chain labour standards auditing methodology is publicly available and follows generally accepted practices and/or at least one explicit external standard. <sup>45</sup>	100%	15%
The auditing methodology is not publicly-available and/or is not grounded in a generally accepted practice and/or external standard, or there are no audits of labour standards in the supply chain.	0	

<sup>44</sup> "Work plan" refers to a schedule for auditing labour standards in the supply chain.

<sup>45</sup> An example of an explicit external standard is the SA8000 standard.

Criteria	Scoring	Weighting
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**5.5 External verification of labour standard audits**

There is third party involvement that includes systematic input from NGOs and/or labour in the country of supply into the verification of labour standard audits.	100%	20%
There is third party involvement that includes ad hoc input from NGOs and/or labour in the country of supply into verification of labour standard audits, or it is unclear how systematic this involvement is.	66.7%	
There is third party involvement in the verification of labour standard audits, but there is no input from NGOs or labour in the country of supply.	33.3%	
There is no external verification of supply chain labour standard audits.	0	

**5.6 Reporting the results of audits of labour standards in the supply chain**

There is full and complete disclosure including quantitative analysis of audit findings at the factory or supplier level.	100%	20%
There is some disclosure and analysis of audit findings at a factory or supplier level.	75%	
There is full and complete disclosure and quantitative analysis of aggregate audit findings.	50%	
There is broad commentary on aggregate audit findings, but no figures are disclosed.	25%	
There is no discussion of audit findings.	0	

**5.7 Dealing with non-compliance**

There is a policy for handling instances of non-compliance with the code, and this policy includes a staged approach to dealing with violations.	100%	15%
There is reference to handling non-compliance with the code. Details of how this is handled are given, but there is no indication of a staged approach to dealing with violations of the code.	66.7%	
There is reference to handling non-compliance with the code, but there are no details of the approach used.	33.3%	
There is no mention of dealing with non-compliance with the code.	0	

Individual  
Company  
Report Cards





## American Eagle Outfitters Inc.

**Banners:** American Eagle Outfitters  
**Type of company:** Public, NASDAQ: AEOS  
**Notes:** 846 Stores in the US and Canada

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> - No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> - No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> - No mention of comprehensive risk analysis of labour standards issues in the company's supply chain - "Factories are selected for inspection based on a combination of volume and risk factors" - No disclosure of specifics as to what constitutes "risk factors" <i>Website: Corporate Social Responsibility</i>	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Vendor Code of Conduct" -It covers the core ILO conventions but limits the company's commitment to: -Freedom of association: "Vendors and contractors must respect the rights of employees to associate freely, join organizations of their choice and bargain collectively <i>without unlawful interference.</i> " -It does not meet the hours of work standards -It does not include living wage requirements	25	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <i>http://phx.corporate-ir.net/phoenix.zhtml?c=81256&amp;p=irol-SocialResponsibility</i>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) -"contractually requires all suppliers to meet our global workplace standards...as set forth in our Code of Conduct" <i>p. 4, 2004 Annual Report</i>	66.7	20
<b>Section total score / section weighting</b>	48.34	X 15%

### 3. Stakeholder Engagement

<b>3.1 Membership of multi-stakeholder processes</b> -No reported evidence of involvement in a multi-stakeholder initiative that includes representation from both NGOs and labour. -Member of Business for Social Responsibility (BSR) which does not qualify as a MSI	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -There is a VP of Corporate Responsibility and Customs Compliance Officer -This VP is two or fewer reporting levels from the board <i>Corporate Social Responsibility Page, see above link</i>	100	30
<b>4.2 Training for buying agents</b> -There are reports of training programs for buying and production teams -There are no reports, however, of whether this is ongoing and scheduled or carried out on an ad-hoc basis <i>Corporate Social Responsibility Page, see above link</i>	50	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>42.5</b>	<b>X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to Auditing Labour Standards in the Supply Chain</b> -There is an internal auditing program that applies to all factories in supply chain -"policy for the inspection of factories throughout the world where goods are produced to our order" <i>p. 4, 2004 Annual Report</i>	100	15
<b>5.2 Status of the Audit Schedule</b> -No reported evidence	0	5
<b>5.3 Public Disclosure of Manufacturing Sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the Labour Standards Auditing Methodology</b> -The auditing methodology is not publicly available	0	15
<b>5.5 External Verification of Labour Standard Audits</b> -There is mention of third party involvement in the verification of audits, but the identity of the auditing organization is not reported -"this program utilizes third party inspectors to audit compliance" -There is no reported evidence of input from NGOs or labour in the country of supply <i>p. 4, 2004 Annual Report</i>	33.3	20
<b>5.6 Reporting the Results of Audits of Labour Standards in the Supply Chain</b> -No reported evidence	0	20
<b>5.7 Dealing with Non-Compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations (it could be more detailed). <i>Corporate Social Responsibility Page, see above link</i>	100	15
<b>Section total score / section weighting</b>	<b>36.66</b>	<b>X 35%</b>

**Total Score** **29** /100



## The Forzani Group Ltd.

**Corporate banners:** Sport Check, Sport Mart, Coast Mountain Sports, National Sports

**Franchise banners:** Sports Experts, Intersport, Atmosphere, RnR

**Type of company:** Public, TSX: FGL-T

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>		0 X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a "Code of Vendor Conduct" - One of the banners FG operates is Intersport North America. Intersport N.A. is the North American subsidiary of Intersport, a European company that sells private brand merchandise. Intersport has a code of conduct that it applies to the manufacture of its products, which Forzani sells, but FG makes no public mention of this code.	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>		0 X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>		0 X 20%

### 4. Management

<b>4.1 Resource commitment</b> -No reported evidence	0	30
<b>4.2 Training for buying agents</b> -No reported evidence	0	25

<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -No reported evidence	0	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -No reported evidence	0	15
<b>5.5 External verification of labour standard audits</b> -No reported evidence	0	5
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -No reported evidence	0	15
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 35%</b>

**Total Score** **0** /100



GAP Inc.

Banners: GAP, Banana Republic, Old Navy, Forth & Towne  
 Type of company: Public, NYSE: GAP

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -There is a "Governance, nominating and social responsibility" sub-committee in charge of ethical issues in supply chain <i>p.8, 2004 CSR report</i>	100	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	40	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a list of "Standards of Engagement" -It is not consistent with ILO core conventions with respect to child labour, "at least 14 years of age" -It also limits the company's commitment to: -Freedom of association: "Workers are free to choose whether or not to lawfully organize and join associations." -It does not include a living wage requirement -It does not meet ILO hours of work standards	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <a href="http://www.gapinc.com/public/SocialResponsibility/socialres.shtml">http://www.gapinc.com/public/SocialResponsibility/socialres.shtml</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) "The Code of Vendor Conduct applies to all factories that produce goods for GAP inc..." <i>GAP code of vendor conduct, see above link</i>	66.7	20
<b>Section total score / section weighting</b>	33.34	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -Member of Ethical Trading Initiative (ETI) and Social Accountability International (SAI) <a href="http://www.ethicaltrade.org">www.ethicaltrade.org</a> , 2004 CSR report	100	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -CSR report mentions several examples of GAP's engagement with local NGOs and other stakeholders, both in importing countries and countries of manufacture. There is sufficient reported evidence of engagement over time, for example with local unions in Lesotho, labour and human rights groups in Cambodia, and local NGO monitoring organizations in Central America. <i>p. 6, 33, 39, 40 2004 CSR report</i>	100	50
<b>Section total score / section weighting</b>	100	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -There is a VP of Social Responsibility -This person is the head of the global compliance office -The stated mandate is the improvement of factory working conditions and labour standards -This person is two or fewer reporting levels from the board <i>p. 9, 2004 CSR report.</i>	100	30
<b>4.2 Training for Buying agents</b> -No reported evidence of training for buying agents -A pilot project is currently underway to conduct training sessions with merchandising and design teams <i>p. 33 of 2004 CSR report</i>	0	25
<b>4.3 Training for factory management personnel and workers</b> -There are many mentions of training projects for factory management personnel and factory workers. -Although it's probably ongoing, there is no sense of it being a regularly scheduled part of the operation, across the supply chain; most are specific pilot programs or in specific countries. <i>2003 CSR report: training sessions in Lesotho, Cambodia, China</i> <i>2004 CSR report: p.10, 12, 19</i>	66.7	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>46.67 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is a commitment to auditing across the entire breadth of the supply chain -In 2004, audits were conducted in 99% of supply chain factories <i>p. 4, 2004 CSR report</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented -Once approved a factory will be inspected at least once a year <i>p.18, 2004 CSR report</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices -2004 report makes reference to the audit process outlined in the 2003 report -2003 report is still available through their website <i>p.17, 2004 CSR report</i>	100	15
<b>5.5 External verification of labour standard audits</b> -There are several reports of instances in which GAP partners with local NGOs to conduct third party audits. -i.e. COVERCO in Guatemala, EMIH in Honduras and GMIES in el Salvador <i>http://www.gapinc.com/public/SocialResponsibility/sr_projects_indep.shtml</i>	100	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -Aggregate reporting on audit findings with analysis of results in annual CSR reports -There is some disclosure and analysis of audit findings at the factory or supplier level -Factory level findings are public through reports published by EMIH and COVERCO of audits conducted in factories in Honduras and Guatemala <i>p.22 CSR report, COVERCO website</i>	75	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>p.21, 2004 CSR report</i>	100	15
<b>Section total score / section weighting</b>		<b>85 X 35%</b>

**Total Score 68 /100**



## Hudson's Bay Company

**Banners:** The Bay, Zellers, Home Outfitters

**Type of company:** Public, TSX: HBC

**Notes:** Information available for HBC includes a portion of their 2002 CSR report that is still available on their website as additional information to their more recent reports.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee with explicit responsibility for ethical issues in the supply chain -There is a member of the board of directors with responsibility for ethical issues ( <a href="http://www.hbc.com/hbc/socialresponsibility/default.asp">http://www.hbc.com/hbc/socialresponsibility/default.asp</a> ) <i>2004 annual report, committee membership page</i>	66.7	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -There is mention of labour standards issues as a risk factor in the annual report. <i>p.25, 2004 HBC annual report</i>	66.7	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -There is reported evidence of a risk or exposure analysis of labour standards issues in the supply chain -Mention of internal and external monitoring as a way of "mitigating potential reputation risk" -Break down vendors into 3 levels of priority. Each level focuses resources to perceived risk. i.e. Priority A (high priority): top 200 suppliers based on volume of sales, perceived risk and factory location. -Note: it is not clear whether "perceived risk" is based on a systematic risk analysis of labour standards issues in the supply chain or just on expectations. <i>p. 25, 2004 Annual Report, p. 19, 2004 CSR Report</i>	100	30
<b>Section total score / section weighting</b>	76.69	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Code of Vendor Conduct" -It is not consistent with ILO core conventions with respect to child labour: -"workers can be no less than 15 (or 14 where the law of the country of manufacture allows)" -It covers the core ILO conventions but limits the company's commitment to: -Freedom of association: "Management practices must respect the right of employees to free association and collective bargaining <i>where applicable</i> ." -Discrimination: "We will <i>favour Business Partners</i> who ensure that no employee shall be subject to any discrimination" -It includes a living wage requirement (although without providing information regarding the application of this standard in their supply chain or the definition of this standard in particular countries). -It does not meet the ILO hours of work standards	25	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <i><a href="http://www.hbc.com/hbc/socialresponsibility/sourcing/">http://www.hbc.com/hbc/socialresponsibility/sourcing/</a></i>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not own procurement) -"we will only engage business partners who demonstrate a commitment...to meet our requirements stated in this code" <i>See above link</i>	66.7	20
<b>Section total score / section weighting</b>	48.34	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence of involvement in a multi-stakeholder initiative that includes representation from both NGOs and labour. -HBC is a member of various initiatives that do not qualify as MSIs, including: CBSR, BSCI, and CRART.	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

### 4. Management

<b>4.1 Resource Commitment</b> -There is a "Director of Vendor Compliance," but his exact duties are not outlined, and it is unclear where he is in relation to the board. <a href="http://www.hbc.com/hbc/about/contacts/">http://www.hbc.com/hbc/about/contacts/</a>	50	30
<b>4.2 Training for Buying agents</b> -Company has conducted training sessions with HBC's sourcing, buying and production teams to explain the principles of HBC's code of vendor conduct and the company's programs. -There is no reported evidence, however, of whether this is ongoing and scheduled or carried out on an ad-hoc basis <i>p.18, 2004 CSR report</i>	50	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence of training for factory management personnel or factory workers -There is mention of 40 training sessions conducted in 2004 with HBC's vendors but there is no reported evidence that the training was conducted at the site of production or that it was directed specifically at factory management personnel or workers <i>p.18, 2004 CSR report</i>	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>27.5</b>	<b>X 20%</b>

### 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is a commitment to auditing all factories that manufacture products for HBC. <i>p. 5, 2002 CSR report (a portion is still available online)</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented <i>p. 5-6: 2002 CSR report (a portion is still available online)</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is not publicly available	0	15
<b>5.5 External verification of labour standard audits</b> -Third party audits conducted by Cal Safety Compliance, and International Global Compliance Services. -There is no reported evidence of input from NGOs or labour in the country of supply <i>p. 5: 2002 CSR report (a portion is still available online)</i>	33.3	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -There is broad commentary on aggregate audit findings. No specific figures are provided on findings by workplace, country or geographic region. <i>p. 19: 2004 CSR report</i>	25	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations -Although HBC has a zero tolerance policy on child labour, the company has a staged procedure for all other labour rights issues and was therefore awarded full marks for this criterion. <i>p. 19: 2004 CSR report</i>	100	15
<b>Section total score / section weighting</b>	<b>46.6</b>	<b>X 35%</b>

**Total Score** 37 /100





La Senza Corporation

Type of company: Public, TSX: LSZ.SV

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain -"Factories are selected for inspection based on a combination of volume and risk factors" -No disclosure of depth of analysis, no mention of analysis across supply chain <i>Website: Corporate Social Responsibility</i>	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Code of Vendor Conduct" -It covers the core ILO conventions -It meets the hours of work standards -It includes a living wage requirement	100	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <i>http://www.lasenzacorporation.com/en/social_responsibility.html</i>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) <i>Social Responsibility statement, see above link</i>	66.7	20
<b>Section total score / section weighting</b>	93.34	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -Mention of an Ethical Standards manager as well as a factory compliance manager, although there is no information publicly available as to what their responsibilities include or where they are with relation to the board. <i>Social Responsibility statement, see above link</i>	50	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>15 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is a commitment to auditing every new factory and re-auditing all current factories. <i>Social Responsibility statement, see above link</i>	100	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is not publicly available	0	15
<b>5.5 External verification of labour standard audits</b> -There is no reported evidence of external verification of labour standards audits -Initial audits are conducted by La Senza staff -The company encourages the use of third party inspectors, but it is unclear how often this is true or who the third party inspectors are. <i>Social Responsibility statement, see above link</i>	0	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -No reported evidence	0	15
<b>Section total score / section weighting</b>		<b>15 X 35%</b>

**Total Score** 22 /100



Le Château Inc.

Type of company: Public, TSX: CTU.SV.A

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100



## Levi Strauss & Co.

**Banners:** Levi's, Dockers, Levi Strauss Signature

**Type of company:** Private. Levi Strauss has publicly traded bonds. As well, its Japanese subsidiary is public.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<p><b>1.1 Board level responsibility for ethical issues in the supply chain</b>            -There is a "Corporate Social Responsibility" board sub-committee with responsibility for ethical issues in the supply chain  <i>p. 148, 2005 Levi Strauss 10-k</i></p>	100	40
<p><b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b>            -There is reported evidence of a systematic analysis of labour standards issues as a risk factor  <i>p. 74 2004 Levi Strauss 10-K</i></p>	100	30
<p><b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b>            -There is reported evidence of a risk or exposure analysis in the supply chain            -Country assessment Guidelines: "The Guidelines assist us in making practical and principled business decisions as we balance the potential risks and opportunities associated with conducting business in specific countries"            -Includes consideration of: health and safety conditions, human rights environment, legal system, political, social and economic environment.  <i>http://levistrauss.com/responsibility/toe/ourAppr_guidelines.htm</i></p>	100	30

Section total score / section weighting **100** X 10%

### 2. Code for Labour Standards in the Supply Chain

<p><b>2.1 Quality and scope of the code for labour standards in the supply chain</b>            There is a "Code of Vendor Conduct"            - It addresses all issues of the ILO core conventions, but limits the company's commitment to:                -Non-discrimination: "we will favour partners who share this value" and                -Freedom of association: "we expect our suppliers to respect the right to free association and the right to organize and bargain collectively <i>without unlawful interference</i>"            -However, the terms of Engagement Guidebook expands on both of these points and places their code inline with ILO standards (pp. 22 and 27)            -Code does not meet the ILO hours of work standards            -Code does not have a living wage requirement  <i>Terms of Engagement Guidebook</i></p>	50	60
<p><b>2.2 Publication and availability of the code for labour standards in the supply chain</b>            -It is published on their website  <i>http://www.levistrauss.com/responsibility/conduct/guidelines.htm</i></p>	100	20
<p><b>2.3 Application of the code for supply chain labour standards</b>            -Code applies to entire breadth of production (but not their own procurement)            -"we will only do business with partners that adhere to the following guidelines"  <i>See above link</i></p>	66.7	20

Section total score / section weighting **63.34** X 15%

### 3. Stakeholder Engagement

<p><b>3.1 Membership of multi-stakeholder processes</b>            -Member of Ethical Trading Initiative (ETI)  <i>http://www.ethicaltrade.org/Z/abteti/who/memb/list.shtml#co</i></p>	100	50
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<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chains</b> -Some reported examples of engagement over time with NGOs and labour unions in importing countries. There are also reports of engagement with local stakeholders in countries of manufacture, but it is unclear if engagement is taking place over time. <a href="http://levistrauss.com/responsibility/toe/iss_freedom2.htm">http://levistrauss.com/responsibility/toe/iss_freedom2.htm</a> , and <a href="http://levistrauss.com/responsibility/toe/initiatives.htm">http://levistrauss.com/responsibility/toe/initiatives.htm</a>	66.7	50
<b>Section total score / section weighting</b>		<b>83.35 X 20%</b>

#### 4. Management

<b>4.1 Resource commitment</b> -Director, Global Code of Conduct is in charge of overseeing implementation of and compliance with LS&CO. code -This person is two reporting levels from the board <i>Global Sourcing and Operating Guidelines summary</i>	100	30
<b>4.2 Training for buying agents</b> - No reported evidence of training for buying agents - "LS&CO. conducts training sessions for other employees, such as merchandisers and product development managers, to provide an understanding of TOE" <a href="http://levistrauss.com/responsibility/toe/codeAppl_training.htm">http://levistrauss.com/responsibility/toe/codeAppl_training.htm</a>	0	25
<b>4.3 Training for factory management personnel and workers</b> - Periodically, LS&Co provides training for factory management <a href="http://levistrauss.com/responsibility/toe/codeAppl_relationship.htm">http://levistrauss.com/responsibility/toe/codeAppl_relationship.htm</a>	66.7	25
<b>4.4 Rewards and incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>46.67 X 20%</b>

#### 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is a commitment to "ensuring compliance." -There is also mention of a monitoring process <a href="http://www.levistrauss.com/responsibility/conduct/index.htm">http://www.levistrauss.com/responsibility/conduct/index.htm</a> , p. 6, 2004 Annual Report	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented -Factories are assessed before they are approved; they are audited once a year once approved <a href="http://levistrauss.com/responsibility/toe/codeAppl_assessment.htm">http://levistrauss.com/responsibility/toe/codeAppl_assessment.htm</a>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -Has disclosed the names and addresses of all "active, approved owned-and-operated, contract and licensee factories that manufacture and finish Levi's®, Dockers® and Levi Strauss Signature® products" <a href="http://levistrauss.com/responsibility/toe/iss_factoryNames.htm">http://levistrauss.com/responsibility/toe/iss_factoryNames.htm</a>	100	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices <a href="http://levistrauss.com/responsibility/toe/TOEGuidebook2005.pdf">http://levistrauss.com/responsibility/toe/TOEGuidebook2005.pdf</a>	100	15
<b>5.5 External verification of labour standard audits</b> -Some external audits are conducted by Verité -There is some reported evidence of input from local NGOs but it is unclear how systematic this third party involvement is <a href="http://levistrauss.com/responsibility/toe/codeAppl_assessment.htm">http://levistrauss.com/responsibility/toe/codeAppl_assessment.htm</a>	66.7	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <a href="http://levistrauss.com/responsibility/toe/ourAppr_guidelines.htm">http://levistrauss.com/responsibility/toe/ourAppr_guidelines.htm</a>	100	15
<b>Section total score / section weighting</b>		<b>73.34 X 35%</b>

**Total Score** 71 /100



## Liz Claiborne Inc.

**Banners:** 28 apparel brands, including Liz Claiborne, Mexx, DKNY, Lucky Brand Jeans, Juicy Couture, Ellen Tracy  
**Type of company:** Public, NYSE: LIZ

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain 2004 annual report, committee membership page	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -Fair Labour Association (FLA) conducts risk assessment to determine which factories will be subject to independent external monitoring <i>p.21-22, FLA Charter document</i> <a href="http://www.fairlabor.org/all/about/FLAcharter.pdf">http://www.fairlabor.org/all/about/FLAcharter.pdf</a>	100	30
<b>Section total score / section weighting</b>	30	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a list of Standards of Engagement -It is consistent with the ILO core conventions -It does not meet the hours of work standards -It does not include a living wage requirement	50	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <a href="http://www.lizclaiborneinc.com/rights/conduct.asp">http://www.lizclaiborneinc.com/rights/conduct.asp</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Standards apply to entire breadth of production (but not their own procurement) "Suppliers must adhere to Liz Claiborne's Standards of Engagement" <i>See above link</i>	66.7	20
<b>Section total score / section weighting</b>	63.34	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -Member of the Fair Labour Association (FLA) <a href="http://www.fairlabor.org">www.fairlabor.org</a>	100	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -There are reports of examples of engagement with NGOs and/or trade unions in Guatemala, Sri Lanka and Hong Kong. It is unclear whether this engagement is taking place over time. <i>p. 124, 2005 FLA Report</i>	33.3	50
<b>Section total score / section weighting</b>	66.65	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -VP of Human Rights Compliance is responsible for compliance activities -This person "oversees compliance activities in coordination with compliance team members" -This person is two reporting levels from the board <i>Page 29, 2004 FLA Report.</i>	100	30
<b>4.2 Training for Buying agents</b> - No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> - No reported evidence of training for factory management personnel or factory workers - There is mention of five vendor workshops in China and of approximately 30 individual meetings with high level representatives of main suppliers, but there is no reported evidence that the training was conducted at the site of production or that it was directed specifically at factory management personnel or workers <i>p. 30, 2004 FLA report</i>	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>30 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There are internal audits and FLA external audits. -Liz Claiborne's internal monitoring program was accredited by the FLA in 2005 <i>www.fairlabor.org</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented -Percentage of factories are audited by FLA <i>p.28, 2004 FLA report</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices -FLA audit methodology available through website -Methodology used by internal monitors or Global Social Compliance monitors is not. <i>www.fairlabor.org</i>	100	15
<b>5.5 External verification of labour standard audits</b> -FLA external verification includes - input from NGOs and unions onsite but it is unclear how systematic this third party involvement is -11 factories audited by FLA in 2003 <i>p. 28, FLA 2004 Annual Report</i>	66.7	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -There is some disclosure and analysis of audit findings at the factory or supplier level <i>See FLA tracking charts</i>	75	20
<b>5.7 Dealing with non-compliance</b> -There is reported evidence of a policy for dealing with non-compliance -It is not very detailed and it is unclear whether there is a staged approach to dealing with violations	66.7	15
<b>Section total score / section weighting</b>		<b>73.34 X 35%</b>

**Total Score** 58 /100





## Mark's Work Wearhouse

Number of MWW employees: Full-time 1 088, Part-time 2 927

Type of company: Public, TSX: CTR

Notes: The information below applies to the whole of Canadian Tire Company

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -There is a board "Social Responsibility and Risk Governance" subcommittee with responsibility for ethical issues <i>2004 annual report, 2005 management information circular</i>	100	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -There is mention of labour standards issues as a risk factor in the annual report <i>p. 76, 2004 annual report</i>	66.7	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	<b>60.01</b>	<b>X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Code of Vendor Conduct" -It does not cover the core ILO conventions: -It does not include freedom of association. -It does not meet the hours of work standards -It does not include a living wage requirement	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <i>http://www2.canadiantire.ca/CTenglish/conduct_code.html</i>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) <i>p.3 2004 Supplier Code of Business Conduct</i>	66.7	20
<b>Section total score / section weighting</b>	<b>33.34</b>	<b>X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

## 4. Management

<b>4.1 Resource Commitment</b> -There is no reported evidence of senior manager whose primary responsibility includes labour standards in the supply chain. -There is a "Director of Compliance," as well as a Business Conduct Compliance Office, but there is no reported evidence that they are responsible for overseeing compliance with the company's supplier code of conduct. <i>p.19, 2004 Annual Information Form</i>	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is mention of periodic assessments <i>p.19, 2004 Annual Information Form</i>	50	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is not publicly available	0	15
<b>5.5 External verification of labour standard audits</b> -Mention of third party that assists the auditing process ("where appropriate"), but not clear who -There is no reported evidence of input from NGOs or labour in the country of supply <i>p.8, 2004 Supplier Code of Business Conduct</i>	33.3	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>p. 8, 2004 Supplier Code of Business practices</i>	100	15
<b>Section total score / section weighting</b>	<b>29.16</b>	<b>X 35%</b>

Total Score **21** /100



## Mountain Equipment Co-operative

**Type of company:** MEC is a Co-operative. It makes company information public to its members.

**Notes:** Because it is not a typical company, it does not have the same internal structure as most.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for labour standards issues in the supply chain</b> -The MEC board has two committees that oversee labour standards issues in the supply chain: The Governance + Member Relations Committee and the Community Involvement Committee. -There is no publicly available information that outlines the specific responsibilities that the above-mentioned committees have to labour standards issues in the supply chain. -There is no board member with explicit responsibility for labour standards issues in the supply chain. <i>Website listing of board members and responsibilities</i>	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor (this may be less relevant to a co-operative than to a company that has shareholders)	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -Fair Labour Association (FLA) conducts risk assessment to determine which factories will be subject to independent external monitoring <i>p.21-22, FLA Charter document</i> <a href="http://www.fairlabor.org/all/about/FLAcharter.pdf">http://www.fairlabor.org/all/about/FLAcharter.pdf</a>	100	30
<b>Section total score / section weighting</b>	<b>30</b>	<b>X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Buying Policy" -It covers the core ILO conventions -It meets the hours of work standards -It does not include a living wage requirement	75	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <a href="http://www.mec.ca/Main/content_text.jsp?FOLDER%3C%3Efolder_id=770745&amp;bmUID=1121142692240">http://www.mec.ca/Main/content_text.jsp?FOLDER%3C%3Efolder_id=770745&amp;bmUID=1121142692240</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) -"all our suppliers know we expect them to comply with our SCC" <i>Product Sourcing Policy on MEC website</i>	66.7	20
<b>Section total score / section weighting</b>	<b>78.36</b>	<b>X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -Member of the Fair Labour Association (FLA) <i>MEC 2004 STEP report</i>	100	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	<b>50</b>	<b>X 20%</b>

## 4. Management

<b>4.1 Resource Commitment</b> -There is a "Senior-level sourcing position, Social Compliance Manager. Reporting directly to the CEO" -This person is in charge of accountability for sourcing at MEC and is two reporting levels from the board <i>2004 STEP Report</i>	100	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>30 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There are internal audits and FLA audits. -Audits take place at new prospective factories and at any factories that produce MEC brand products <i>2004 STEP audit web page</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented -FLA conducts audits on a percentage of factories per year -Factories considered for production must also undergo audits <i>www.fairlabor.org</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices -FLA audit methodology available through website <i>www.fairlabor.org</i>	100	15
<b>5.5 External verification of labour standard audits</b> -Have used Verité as an independent 3 <sup>rd</sup> party monitor -FLA external verification includes input from NGOs and unions onsite but it is unclear how systematic this third party involvement is <i>www.fairlabor.org</i>	66.7	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -There is some disclosure and analysis of audit findings at the factory or supplier level -Membership to FLA began in 2005, reports on FLA audits are not yet available <i>2004 STEP report, www.fairlabor.org</i>	75	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>STEP audit web page</i>	100	15
<b>Section total score / section weighting</b>		<b>78.34 X 35%</b>

**Total Score** 58 /100



**NIKE Inc.**  
**Banners:** Information below only applies to the NIKE and Jordan brands managed by NIKE Inc.  
**Type of company:** Public, NYSE: NKE

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for labour standards issues in the supply chain</b> -There is a board "Corporate Social Responsibility" committee responsible for labour issues, among other things <i>p. 6, 2004 CSR report</i>	100	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -Fair Labour Association (FLA) conducts risk assessment to determine which factories will be subject to independent external monitoring <i>p.21-22, FLA Charter document</i> <a href="http://www.fairlabor.org/all/about/FLAcharter.pdf">http://www.fairlabor.org/all/about/FLAcharter.pdf</a> -Nike also conducts an internal risk analysis of labour standards compliance in its supply chain to determine which factories receive Nike's more extensive "M-audits" (as opposed to less intensive but more frequent SHAPE audits) <i>p. 22, FY04 CR Report</i>	100	30
<b>Section total score / section weighting</b>	70	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Code of Vendor Conduct" -It covers the core ILO conventions but limits the company's commitment to: -Freedom of association: "Nike partners with contractors who share out <i>commitment to best practices and continuous improvement</i> in management practices that respect the rights of all employees, including the right to free association and collective bargaining." -It does not meet the hours of work standards -It does not include a living wage requirement	25	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <a href="http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&amp;cat=code">http://www.nike.com/nikebiz/nikebiz.jhtml?page=25&amp;cat=code</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies only to Nike and Jordan brands <i>p.16, 2004 CSR report</i>	33.3	20
<b>Section total score / section weighting</b>	41.66	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -Member of the Fair Labour Association (FLA) <i>p. 32, 2004 CSR report</i>	100	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -CR report mentions examples of Nike's engagement with local NGOs and other stakeholders in importing countries and, to a lesser extent, in countries of manufacture. However, there is no reported evidence of onsite engagement over time.	66.7	50
<b>Section total score / section weighting</b>	83.35	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -There is a "Director of Global Apparel Operations and Corporate Responsibility" -This person is a member of the CR Business Leadership team that reports to the CR board Committee. <i>p.7, 2004 CSR report</i>	100	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -The Nike compliance team provides generalized training or makes it available through outside resources, to raise factory team competencies and capacities to self-manage labour, environment, safety and health -16,950 factory workers and management received training in 2004 -No indication that this is scheduled or ongoing practice <i>p. 19 and 30, 2004 CSR report</i>	66.7	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>46.67 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -"all factories with which Nike places orders directly should receive an initial SHAPE assessment and third party labour audit at minimum" -Being a member of the FLA also commits NIKE to having a percentage of factories audited by the FLA <i>p.18 CSR report</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented -Factory Compliance Cycle -FLA schedule <i>p. 17 CSR report, www.fairlabor.org</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -Disclosure of factory level manufacturing facilities for NIKE brand products, but not for all brands owned by company - <a href="http://www.nike.com/nikebiz/nikebiz/jhtml?page=25&amp;cat=activefactories">http://www.nike.com/nikebiz/nikebiz/jhtml?page=25&amp;cat=activefactories</a>	66.7	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices -Internal audit methodology is available in CSR report -FLA audit methodology available through website <i>p.35, 2004 CSR report, www.fairlabor.org</i>	100	15
<b>5.5 External verification of labour standard audits</b> -FLA external verification includes input from NGOs and unions onsite but it is unclear how systematic this third party involvement is <i>p.22,2004 CSR report, www.fairlabor.org</i>	66.7	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -There is some disclosure and analysis of audit findings at the factory or supplier level -FLA tracking charts -Mostly aggregate audit findings <i>p. 36, 2004 CSR report, www.fairlabor.org</i>	75	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>p.17, 2004 CSR report</i>	100	15
<b>Section total score / section weighting</b>		<b>85.01 X 35%</b>

**Total Score** 69 /100



# Polo Ralph Lauren Corporation

Type of company: Public, NYSE:RL

Notes on Findings	Company Score	Question Weighting (% of section)
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## 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

## 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

## 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100





## Reitmans Canada Ltd.

**Banners:** Reitmans, Smart-Set/Dalys, RW&Co, Pennington Superstores, Thyme Maternity, Addition-Elle

**Type of company:** Public, TSX: RET-T

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting **0** X 35%

Total Score **0** /100



## Sears Canada Inc.

**Type of company:** Public, TSX: SCC

**Notes:** The majority shareholder of Sears Canada is Sears Roebuck & Co., its U.S. counterpart.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for labour standards issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for labour standards issues in supply chain 2004	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>		<b>0 X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a buying policy -It does not meet the core ILO conventions with respect to child labour: -The minimum age is set at 14 -It covers the core ILO conventions but limits the company's commitment to: -Non-discrimination: "based on personal characteristics, beliefs or other <i>legally protected criteria</i> " -It does not meet the hours of work standards -It does not include a living wage requirement	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <a href="http://sears.ca/e/corporate/buyingpolicy.htm">http://sears.ca/e/corporate/buyingpolicy.htm</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) <i>See above link, 2004 remarks from president and C.E.O.</i>	66.7	20
<b>Section total score / section weighting</b>		<b>33.34 X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>		<b>0 X 20%</b>

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25

<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>0 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -No reported evidence	0	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -No reported evidence	0	15
<b>5.5 External verification of labour standard audits</b> -No reported evidence	0	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -No reported evidence	0	15
<b>Section total score / section weighting</b>		<b>0 X 35%</b>

**Total Score** **5** /100



Wal-Mart Stores Inc.

Type of company: Public, NYSE: WMT

Notes on Findings	Company Score	Question weighting (%)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain <i>p. 9, 2005 Proxy statement, 2005 Annual Report</i>	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -There is mention of labour standards issues as a risk factor in the annual report -"Risks associated with the vendors from whom our products are sourced could adversely affect our financial performance" <i>p. 14, 2005 10-K report</i>	66.7	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>		<b>20.01 X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a list of "Supplier Standards" -It does not meet the core ILO conventions with respect to child labour, -Minimum age set at 14. -It also limits the company's commitment to: -Freedom of association: "...so long as such groups are legal in their own country." -Discrimination: Favours suppliers "who do not discriminate..." -It does not meet the hours of work standards -It does not include a living wage requirement	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is publicly available and included in their Report on Standards for Suppliers <i>www.walmartstores.com</i>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Supplier Standards apply to entire supply chain (but not their own procurement) <i>p.6, 2004 Report on Standards for Suppliers</i>	66.7	20
<b>Section total score / section weighting</b>		<b>33.34 X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence of involvement in a multi-stakeholder initiative that includes representation from both NGOs and labour. (Asda, which is wholly owned by Wal-Mart, is a member of ETI. This precedes the purchase of Asda by Wal-Mart.) -Member of Business for Social Responsibility (BSR)	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -Mention of some engagement with NGOs, but there is no information regarding who, when or where <i>2004 Report on Standards for Suppliers</i>	0	50
<b>Section total score / section weighting</b>		<b>0 X 20%</b>

## 4. Management

<b>4.1 Resource Commitment</b> -There is a senior VP of global procurement managing director, but it is not clear if his primary responsibility includes labour standards in the supply chain -There is a director of compliance but he is more than two reporting levels from the board <i>p. 8, 2004 Report on Standards for Suppliers</i>	50	30
<b>4.2 Training for Buying agents</b> -There is mention of ad hoc training for buyers in 2003 <i>p.4, 2003 Factory Certification Report</i> -There is no mention of training for buyers in 2004. There is mention of training for over 1,000 Wal-Mart associates to increase awareness of factory certification program but it is unclear what positions these associates have <i>p.7, 2004 Report on Standards for Suppliers</i>	50	25
<b>4.3 Training for factory management personnel and workers</b> -In 2004, Wal-Mart associates trained 7,910 suppliers and factory managers. There is mention of monthly training sessions for both suppliers and factory management to increase their familiarity with the requirements... -There is no evidence of training for factory workers but there is mention of plans for worker training in the future <i>p.7, 2004 Report on Standards for Suppliers</i>	33.3	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>		<b>35.82 X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is a commitment to conduct audits across the entire breadth of the supply chain <i>p.6, 2004 Report on Standards for Suppliers</i>	100	15
<b>5.2 Status of the audit schedule</b> -An auditing work plan has been scheduled and is currently being implemented <i>p.6, 2004 Report on Standards for Suppliers</i>	100	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is not publicly available, (except explanation on how worker interviews are conducted) <i>p.31, 2004 Report on Standards for Suppliers</i>	0	15
<b>5.5 External verification of labour standard audits</b> -Third party audits account for 15% of all audits -Inspections conducted by Global Social Compliance and Intertek Testing Service -There is no reported evidence of input from NGOs or labour in the country of supply <i>p.26, 2004 Report on Standards for Suppliers</i>	33.3	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -There is disclosure of aggregate audit findings -There is no reported disclosure or analysis of audit findings at the factory level <i>2004 Report on Standards for Suppliers</i>	50	20
<b>5.7 Dealing with non-compliance</b> -There is reference to handling non-compliance with the code (4 colour system) -However, there is a zero tolerance policy on "serious violations related to child labour, forced and prison labour, ... discrimination, human rights abuses..." Since the above list includes 3 core labour rights, we concluded that Wal-Mart does not have a staged approach to dealing with non-compliance. <i>p.30, 2004 Report on Standards for Suppliers</i>	66.7	15
<b>Section total score / section weighting</b>		<b>46.66 X 35%</b>

**Total Score** 30 /100



## Winners (TJX)

Type of company: Public, NYSE: TJX

Notes: Winners is a subsidiary of TJX companies.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for labour standards issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for labour standards issues in supply chain -The social compliance committee is not a board subcommittee <i>2004 annual report, <a href="http://www.tjx.com/corprespons/vendorcomp.html">http://www.tjx.com/corprespons/vendorcomp.html</a></i>	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a Buying Policy -It does not meet the core ILO conventions with respect to child labour: -Defines child as "anyone below 14 years of age" -It limits the company's commitment to: -Freedom of association: "Our vendors must respect the rights of their workers to choose (or choose not) to freely associate and to bargain collectively <i>where such rights are recognized by law.</i> " -It does not include a living wage requirement -It does not meet the hours of work standards	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -It is published on their website <i><a href="http://www.tjx.com/corprespons/vendorcomp_code.html">http://www.tjx.com/corprespons/vendorcomp_code.html</a></i>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Code applies to entire breadth of production (but not their own procurement) <i>see above link</i>	66.7	20
<b>Section total score / section weighting</b>	33.34	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

## 4. Management

<b>4.1 Resource Commitment</b> -There is mention of a Global Social Compliance manager who is responsible for overseeing ethical sourcing program -This person is more than two reporting levels from the board (reports to VP, who is 2 levels from the board) <a href="http://www.tjx.com/corprespons/vendorcomp.html">http://www.tjx.com/corprespons/vendorcomp.html</a> , 2004 annual report	50	30
<b>4.2 Training for Buying agents</b> -There is mention of buying agent training. -There is no indication, however, of whether this is ongoing and scheduled or carried out on an ad-hoc basis <i>see above link</i>	50	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence of training for factory management personnel or factory workers -Mention of training for vendor agents but there is no reported evidence that the training was conducted at the site of production or that it was directed specifically at factory management personnel or workers <i>see above link</i>	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>27.5</b>	<b>X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -There is an internal auditing program that applies to all factories in supply chain <a href="http://www.tjx.com/corprespons/vendorcomp.html">http://www.tjx.com/corprespons/vendorcomp.html</a> ,	100	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is publicly available and follows generally accepted practices -TJX provides internal audit process <i>See above link</i>	100	15
<b>5.5 External verification of labour standard audits</b> -CSCC conducts third party audits -There is no reported evidence of input from NGOs or labour in country of supply <a href="http://www.tjx.com/corprespons/vendorcomp.html">http://www.tjx.com/corprespons/vendorcomp.html</a> ,	33.3	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>See above link</i>	100	15
<b>Section total score / section weighting</b>	<b>51.66</b>	<b>X 35%</b>

**Total Score** **29** /100





## Boutique Jacob Inc.

Type of company: Private

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100



## Giant Tiger Stores Ltd.

**Banners:** Giant Tiger, Scott's Discount

**Type of company:** Private

**Notes:** Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100



## Grafton-Fraser Inc.

Type of company: Private

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting **0** X 35%

Total Score **0** /100



## Harry Rosen Inc.

Type of company: Private

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100





## International Clothiers Inc.

Type of company: Private

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100



## Northern Group Retail Ltd.

**Banners:** Northern Reflections and Northern Getaway

**Type of company:** Private

**Notes:** Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a list of "Global Sourcing Guidelines" -It does not meet the core ILO conventions with respect to child labour, -"Workers may not be younger than 15 years of age (or 14 where local law permits)" -It covers the core ILO conventions but limits its commitment to more than one convention: -Freedom of association: "the right to choose to affiliate with <i>legally sanctioned</i> organizations or associations" -It does not meet hours of work standards -It does not have a living wage requirement	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Global Sourcing Guidelines are available on their website <a href="http://northernreflections.com/Corporate/Index.aspx?p=Global-Sourcing-Guidelines">http://northernreflections.com/Corporate/Index.aspx?p=Global-Sourcing-Guidelines</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Applies to entire supply chain (but not to their own procurement) -"Each of the Company's suppliers agrees that, by accepting orders from the Company or any of its subsidiaries, it will abide by and implement the terms of these Global Sourcing Guidelines"	66.7	20
<b>Section total score / section weighting</b>	<b>33.34</b>	<b>X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

#### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 20%</b>

#### 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -No reported evidence	0	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -No reported evidence	0	15
<b>5.5 External verification of labour standard audits</b> -No reported evidence	0	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -No reported evidence	0	15
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 35%</b>

Total Score **5** /100



## Roots Canada Ltd.

Type of company: Private

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	<b>0</b>	<b>X 10%</b>

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is a "Workplace Code of Conduct" -It covers the core ILO conventions but limits the company's commitment to: -Freedom of association: "Suppliers must not interfere with workers who wish to <i>lawfully</i> and peacefully associate, organize, or bargain collectively." -Discrimination: Code only prohibits " <i>unlawful</i> " discrimination -It does not include a living wage requirement -It does not meet the hours of work standards	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Workplace Code of Conduct is available on their website: <a href="http://www.roots.com/new_canada/html/pr_code_of_conduct.shtml">http://www.roots.com/new_canada/html/pr_code_of_conduct.shtml</a>	100	20
<b>2.3 Application of the code for supply chain labour standards</b> -Applies to entire supply chain (but not to their own procurement) -"[the ROOTS Workplace Code of Conduct] is a formal statement that outlines the conditions we require our suppliers to respect if they want to do business with us"	66.7	20
<b>Section total score / section weighting</b>	<b>33.34</b>	<b>X 15%</b>

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -Mention of engagement with MSN and OXFAM but it is not clear if engagement is over time. -No mention of engagement with NGOs onsite. <a href="http://www.roots.com/new_canada/html/pr_open_letter.shtml">http://www.roots.com/new_canada/html/pr_open_letter.shtml</a>	33.3	50
<b>Section total score / section weighting</b>	<b>16.65</b>	<b>X 20%</b>

## 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -There is mention of training for production and sourcing staff “to ensure that our own employees understand and comply with Roots standards and guidelines” -There is no indication, however, of whether this is ongoing and scheduled or carried out on an ad-hoc basis <a href="http://www.roots.com/new_canada/html/pr_open_letter.shtml">http://www.roots.com/new_canada/html/pr_open_letter.shtml</a>	50	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	<b>12.5</b>	<b>X 20%</b>

## 5. Supply Chain Auditing and Reporting

<b>5.1 Commitment to auditing labour standards in the supply chain</b> -Mention of conducting audits of supply chain through third party <a href="http://www.roots.com/new_canada/html/pr_open_letter.shtml">http://www.roots.com/new_canada/html/pr_open_letter.shtml</a>	100	15
<b>5.2 Status of the audit schedule</b> -No reported evidence	0	5
<b>5.3 Public disclosure of manufacturing sites</b> -No reported evidence	0	10
<b>5.4 Transparency of the labour standards auditing methodology</b> -The auditing methodology is not publicly available	0	15
<b>5.5 External verification of labour standard audits</b> -CSCC conducts third party audits -There is no reported evidence of input from NGOs or labour in the country of supply <a href="http://www.roots.com/new_canada/html/about_us_social_resp.shtml">http://www.roots.com/new_canada/html/about_us_social_resp.shtml</a>	33.3	20
<b>5.6 Reporting the results of audits of labour standards in the supply chain</b> -No reported evidence	0	20
<b>5.7 Dealing with non-compliance</b> -There is a publicly available policy for handling instances of non-compliance and it includes a staged approach to dealing with violations <i>An Open letter About Roots 2005</i>	100	15
<b>Section total score / section weighting</b>	<b>36.66</b>	<b>X 35%</b>

Total Score **24** /100



## Tristan and America

Type of company: Private

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100





YM Inc.

Type of company: Private

Annual Sales, 2004: Information not disclosed

Notes: Private companies have different internal organization from public companies. They are also not required to publish annual reports.

Notes on Findings	Company Score	Question Weighting (% of section)
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### 1. Governance and Risk Management

<b>1.1 Board level responsibility for ethical issues in the supply chain</b> -No reported evidence of formal board sub-committee or board member with explicit responsibility for ethical issues in supply chain	0	40
<b>1.2 Reporting of labour standards issues in the supply chain as a risk factor</b> -No mention of labour standards issues as a risk factor	0	30
<b>1.3 Risk analysis of labour standards issues in the company's existing supply chain</b> -No mention of comprehensive risk analysis of labour standards issues in the company's supply chain	0	30
<b>Section total score / section weighting</b>	0	X 10%

### 2. Code for Labour Standards in the Supply Chain

<b>2.1 Quality and scope of the code for labour standards in the supply chain</b> -There is no reported evidence of a Code of Vendor Conduct	0	60
<b>2.2 Publication and availability of the code for labour standards in the supply chain</b> -Nothing publicly available related to a Code of Conduct	0	20
<b>2.3 Application of the code for supply chain labour standards</b> -No reported evidence of a code	0	20
<b>Section total score / section weighting</b>	0	X 15%

### 3. Stakeholder Engagement

<b>3.1 Multi-stakeholder processes</b> -No reported evidence	0	50
<b>3.2 Engagement with NGOs and/or trade unions relating to labour standards in the supply chain</b> -No reported evidence	0	50
<b>Section total score / section weighting</b>	0	X 20%

### 4. Management

<b>4.1 Resource Commitment</b> -No reported evidence	0	30
<b>4.2 Training for Buying agents</b> -No reported evidence	0	25
<b>4.3 Training for factory management personnel and workers</b> -No reported evidence	0	25
<b>4.4 Rewards and Incentives</b> -No reported evidence	0	20
<b>Section total score / section weighting</b>	0	X 20%

## 5. Supply Chain Auditing and Reporting

5.1 Commitment to auditing labour standards in the supply chain -No reported evidence	0	15
5.2 Status of the audit schedule -No reported evidence	0	5
5.3 Public disclosure of manufacturing sites -No reported evidence	0	10
5.4 Transparency of the labour standards auditing methodology -No reported evidence	0	15
5.5 External verification of labour standard audits -No reported evidence	0	20
5.6 Reporting the results of audits of labour standards in the supply chain -No reported evidence	0	20
5.7 Dealing with non-compliance -No reported evidence	0	15

Section total score / section weighting 0 X 35%

Total Score 0 /100

## Part III


### Appendices

#### Appendix A: Acronyms

BSCI	Business Social Compliance Initiative ( <a href="http://www.bsci-eu.org">www.bsci-eu.org</a> )
BSR	Business for Social Responsibility ( <a href="http://www.bsr.org">www.bsr.org</a> )
CBSR	Canadian Business for Social Responsibility ( <a href="http://www.cbsr.ca">www.cbsr.ca</a> )
CCC	Clean Clothes Campaign ( <a href="http://www.cleanclothes.org">www.cleanclothes.org</a> )
CRART	Canadian Retailers Advancing Responsible Trade (See RCC)
CSR	Corporate social responsibility
ETAG	Ethical Trading Action Group ( <a href="http://www.maquilasolidarity.org">www.maquilasolidarity.org</a> )
ETI	Ethical Trading Initiative ( <a href="http://www.ethicaltrade.org">www.ethicaltrade.org</a> )
FLA	Fair Labor Association ( <a href="http://www.fairlabor.org">www.fairlabor.org</a> )
ILO	International Labour Organization ( <a href="http://www.ilo.org">www.ilo.org</a> )
MSI	Multi-stakeholder initiative
MSN	Maquila Solidarity Network ( <a href="http://www.maquilasolidarity.org">www.maquilasolidarity.org</a> )
NRF	National Retail Federation ( <a href="http://www.nrf.com">www.nrf.com</a> )
SAI	Social Accountability International ( <a href="http://www.sa-intl.org">www.sa-intl.org</a> )
RCC	Retail Council of Canada ( <a href="http://www.retailcouncil.org">www.retailcouncil.org</a> )

#### Appendix B: List of Tables and Figures

Table 1. Gradient Index with Accountability and ETAG Weightings .....	10
Table 2. Company Ratings .....	16
Table 3. Public company scores .....	17
Table 4. Private company scores .....	18
Table 5. US and Canadian public company scores .....	19
Table 6. Quality and scope of the code of conduct .....	23
Table 7. Stakeholder engagement and total scores for public companies .....	26



*Coming clean  
on the clothes  
we wear*

## Appendix C: Alterations to the Gradient Index

ETAG made some alterations to the original AccountAbility Gradient Index, which we felt were necessary to address issues and trends specific to the North American apparel and retail sectors and to take into account recent developments in reporting in those sectors.

### 1. Changes to weighting

The Gradient Index was designed so as to allow for the modification of the weighting given to each of the five categories in order to reflect the priorities of the organization carrying out the research. Table 1 (on page 10) shows how the AccountAbility Gradient Index normally weights each category, as well as how the Ethical Trading Action Group (ETAG) decided to weight each category.

These changes are intended to put more emphasis on transparency and engagement with local groups as a means of improving labour practices. Conversely, we put slightly less emphasis on internal governance practices. This reflects a growing recognition among leading companies that self-regulatory efforts are not sufficient and that transparent auditing and reporting as well as engagement with stakeholders are key elements in effective code implementation programs. Stakeholder engagement, auditing and reporting are a full 55% of the score under the ETAG weighting.

### 2. Weighting the relative value of criteria

We also made changes to the relative value of some of the criteria, by assigning different weightings to

some of the criteria. Each overall category, however, is still weighted as indicated in the chart on page 10.

For example, in the Policy category, the Gradient Index gave the same number of points for the availability of the company's code of conduct to the public as for consistency of code provisions with ILO core conventions. We believe that having a meaningful code of conduct is more important than simply publishing a code, however insufficient it may be. Therefore, in that category, the "Quality and Scope" of the code is worth 60% of the category's mark, and "Publication and Availability" and "Application of the code" are only worth 20% each. The final score in this category will still account for 15% of the company's overall score.

### 3. Public disclosure of manufacturing sites

Full public disclosure of manufacturing sites has been a key ETAG platform for some time. It has met with strong resistance from most Canadian companies and industry associations, but has been accepted over time by companies producing for the collegiate apparel market. A few major brands in the US are now publicly disclosing the names and addresses of the factories producing for the collegiate apparel market in order to satisfy the ethical licensing policies of hundreds of US universities. Nike, Jansport, Russell Athletic and GEAR for Sport all disclose their supply factories producing goods for the collegiate market.

This spring, Nike went a step further by publicly disclosing all of the factories producing Nike-branded products. This information is available on

its web site and is regularly updated. The disclosure does not yet apply to other subsidiary brands owned by Nike, such as Bauer or Converse. In October 2005, Levi Strauss & Co followed Nike's lead by publicly disclosing its global supply chain. Puma and Timberland have since announced that they are disclosing their global supply chains.

In order to draw attention to this important step forward and to encourage other brands and retailers to disclose their supply factories, we added a new criterion within ETAG's Report Card called "Factory Disclosure," which measures the extent to which a company has publicly disclosed the names and addresses of the facilities producing its retail goods.

#### **4. Training and/or experience of auditors**

The Gradient Index included a criterion aimed at assessing whether auditors or assessors have specialist training and/or experience. ETAG chose to exclude questions concerning the qualifications or training of auditors, since such information is not readily available and because of the continuing debate in the field concerning the quality of audits currently being carried out by commercial social auditing firms.

#### **5. Evaluating codes of conduct**


The original Gradient Index required companies to make a commitment to comply with ILO core labour rights, and gave extra points to companies that, in addition to requiring respect for core labour rights, also committed to payment of a living wage. It also awarded points on the basis of whether a code explicitly referenced the ILO.

From our assessment of codes amongst North American companies, we felt three changes should be made.

One, the explicit reference to the ILO, while preferable, is not critical where the code standards are consistent with those of the ILO. We therefore eliminated the requirement that a code explicitly reference the ILO.

Two, while the Gradient Index includes reference to living wage provisions, it does not include hours of work standards. Since working hours is a crucial issue in the apparel sector, we included working hours among code standards to be assessed. We also clarified that companies whose code provisions are consistent with ILO working hours conventions (in addition to core labour rights conventions) advance one rank, and companies committed to core labour rights, hours of work conventions and to payment of a living wage get the top ranking.

Lastly, some companies qualify their commitment to ILO core labour rights, such as freedom of association and collective bargaining rights, stating that such rights must be respected only "where lawful" or "where applicable." In order to take into account the different levels of commitment of companies to core labour rights, we altered the Index to provide limited marks for companies that address all of the core labour rights in their codes, but qualify their commitment to one or another of those rights.



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## **6. Potential improvements**

The Gradient Index currently assesses whether companies report applying their code of conduct to their own procurement (i.e. for staff uniforms, office goods, etc). While procurement issues may be relevant to some retailers and brands, we would argue that they are less important than other related issues, such as whether the code applies to national brands sold by the retailer and/or whether it applies to retail worker or other direct employees of the company. ETAG will consider modifying the criteria concerning code application to address these and other relevant issues.

The Gradient Index does not include criteria concerning worker and third party complaint processes, worker access to audit reports, or other mechanisms for worker participation in the monitoring or remediation processes. Nor does it include criteria concerning rewards or incentives for suppliers for achieving and maintaining compliance with labour standards. ETAG will consider including such criteria in future Report Cards.

# Transparency Report Card 2005

**SUBJECT**

*Retailer reporting on labour rights issues in the supply chain*

**EVALUATED BY**

*Ethical Trading Action Group*

COMPANY NAME	Mark	Group	
Levi Strauss	71	GROUP COMMENTS	<p><b>GOOD:</b> <i>No longer in denial, admits there are serious problems and willing to engage with labour and NGOs on how to address them.</i></p> <p><b>NEEDS IMPROVEMENT:</b> <i>Needs to improve reporting, listen to workers' voices and tackle root causes of persistent problems.</i></p>
Nike	69		
GAP	68		
Liz Claiborne	58		
Mountain Equipment Co-operative (MEC)	58		
Hudson's Bay Company (HBC)	37	GROUP COMMENTS	<p><b>GOOD:</b> <i>Reporting on its code and monitoring process, but providing little information on problems encountered or how they are being addressed.</i></p> <p><b>NEEDS IMPROVEMENT:</b> <i>Needs to join a multi-stakeholder initiative, engage with labour and NGOs on the ground, and facilitate training for workers on their rights.</i></p>
Wal-Mart	30		
American Eagle	29		
Winners (TJX)	29		
Roots	24		
La Senza	22		
Mark's Work Warehouse	21		
Sears Canada	5	GROUP COMMENTS	<p><b>GOOD:</b></p> <p><b>NEEDS IMPROVEMENT:</b> <i>Still in denial. Needs to do his/her homework and get started.</i></p> <p><i>Absent without written excuse!</i></p>
Northern Group	5		
Boutique Jacob	0		
Forzani Group	0		
Giant Tiger	0		
Grafton-Fraser	0		
Harry Rosen	0		
International Clothiers	0		
Le Château	0		
Polo Ralph Lauren	0		
Reitmans	0		
Tristan	0		
YM Inc.	0		