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The Australian Fashion Report 2015

THE TRUTH BEHIND THE BARCODE

The Truth Behind the Barcode:

AUSTRALIAN FASHION REPORT

2015

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and Claire Cremen**

Behind the Barcode is a project of
Baptist World Aid Australia

www.behindthebarcode.org.au

The grades in this report were conducted using the Free2Work grading tool and methodology which was developed by Not For Sale and the International Labor Rights Forum in consultation with Baptist World Aid Australia. Research into Australian brands contained in this report was conducted by Baptist World Aid Australia. 16 April 2015

Graphic Design by Fiona Russell and Shednakie Yi.



Introduction

It's been two years since the fatal Rana Plaza factory collapse in Bangladesh, an event which saw the lives of 1,100 factory workers tragically cut short and is now recorded as the second worst industrial accident of all time. The event sparked the collective conscience of consumers, retailers, investors and governments to know more about the people producing our clothes and how they are treated. The 2013 Australian Fashion Report, released in the wake of the accident, helped to shed some light on these questions by assessing the efforts of companies to protect workers in their supply chain from exploitation and the egregious practice of modern slavery, awarding each company grades from A to F.

This report updates and expands that research, adding an additional 18 companies representing over 91 brands. Of the companies researched in our last publication, a remarkable two thirds have improved their labour rights management systems, 100% now have codes of conduct (up from 85%) and the number of companies that actively engaged with the research process has increased from 54% to 94%.

Some companies that have made significant improvements include Kmart, which has released a complete list of its direct suppliers, a huge step towards transparency; The Cotton On Group, which has taken big steps forward to identify suppliers deeper in their supply chain; and H&M, Zara, Country Road and the Sussan Group which have demonstrated that they have made efforts towards paying better wages for workers overseas.

The Fairtrade companies once again are a stand out, with all their brands receiving A grades. Etiko still retains top honours, having traced its entire supply chain and taken action to ensure workers at the inputs and final stage of manufacturing levels of the supply chain are being paid a living wage. Etiko's performance is only matched by the newcomer, Audrey Blue, who shares Etiko's supply chain. The Cotton On Group takes honours for being the highest rated, non-Fairtrade Australian retailer, while H&M and Inditex, the two biggest fashion retailers in the world, are amongst the best rated international brands, receiving A-grades while also taking action to ensure workers at the final stage of production are being paid above the minimum wage. Only Hanesbrands received a higher grade, an A, but has yet to demonstrate any action on improving worker wages.

This progress in the corporate world has been reflected in significant progress on the ground. In Bangladesh, a binding fire and safety accord has been set up covering 1,800 of the 4,500 factories operating in the country¹. The legal minimum wage has also increased by 75%²; still the lowest in the world, and a far cry from a sufficient wage to cover basic necessities, but it is progress.

Uzbekistan is a nation that is now infamous for its use of forced child and adult labour in its cotton fields. However, a 2014 monitoring report by the International Labor Organization (ILO) found that the Government had stopped the systematic use of child labour. The progress in Uzbekistan is fragile, and there are concerning indications that the labour has been replaced by the forced labour of older children and adults³. Yet the progress has been welcome.

While there are promising signs for the fashion industry, the problems remain significant. Overall the industry is still categorised by poverty level wages. A mere 12% of companies could demonstrate any action towards paying wages above the legal minimum, and even then, only for part of their supply chain. Furthermore, 91% of companies still don't know where all their cotton comes from, and 75% don't know the source of all their fabrics and inputs. If companies don't know how and where their products are made, then there's no way for them to ensure that their workers are protected.

Sadly, many of the worst overall performers were iconic Australian fashion brands such as the Just Group (owner of Just Jeans, Jay Jays, Dotti, Peter Alexander and Portmans), fast retail brands like Ally, Valley Girl, Temt and Industrie, and low cost suppliers like Lowes and Best & Less. These companies have all received D or F grades.

We could find little evidence that any of these fashion retailers were doing much, if anything, to protect workers overseas. Many of them had little or no publicly available information and/or didn't respond to any of our requests to engage with the research process.

Alongside the overall company grades, this report offers an in-depth look at what each company is doing across 61 separate assessment criteria, broken into four broad categories: Policies, Traceability and Transparency, Monitoring and Training, and Worker Rights. These four categories, when brought together and implemented well, should enable improvements to working conditions and reduce the risk and incidence of modern slavery. The report also includes a few more detailed snapshots of standout practices that companies are engaging in across each of the four categories of the labour rights management system and a discussion of some multi-stakeholder initiatives such as the Fire and Safety Accord in Bangladesh.

We know that the investment, job opportunities and skills fashion retailers bring to countries (particularly developing countries) can be hugely beneficial for these countries and their citizens. However, we also know that, without adequate safeguards, workers can be exploited or enslaved and lives can be lost.

We want to applaud the improvements that the sector has made in taking responsibility for its workers across their entire supply chain, and we hope that the information and analysis in this report will assist consumers, investors, governments and corporations to continue this trend. It is our hope that these actions will move the world closer to a world free from poverty and exploitation, where workers across the fashion industry are able to enjoy the fullness of life.

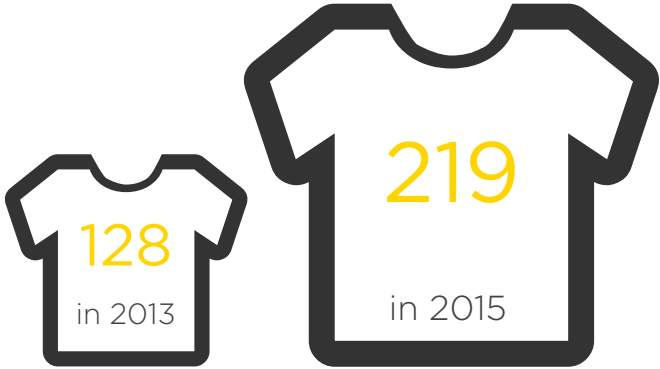
¹Garrett Brown, 'Bangladesh Blowback: hopes are raised for improved garment factory safety', 2014.

²National Public Radio, 'Next Stop Bangladesh As We Follow Planet Money's T-Shirt', 2013.

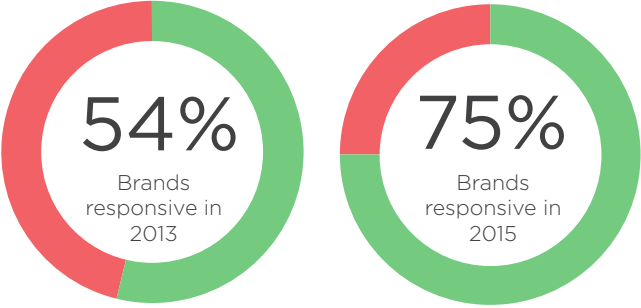
³International Labour Organisation (ILO) Committee of Experts on the Application of Conventions and Recommendations 'Observation Report on the Worst Forms of Child Labour Convention - Uzbekistan' 2014.

Introduction | Progress

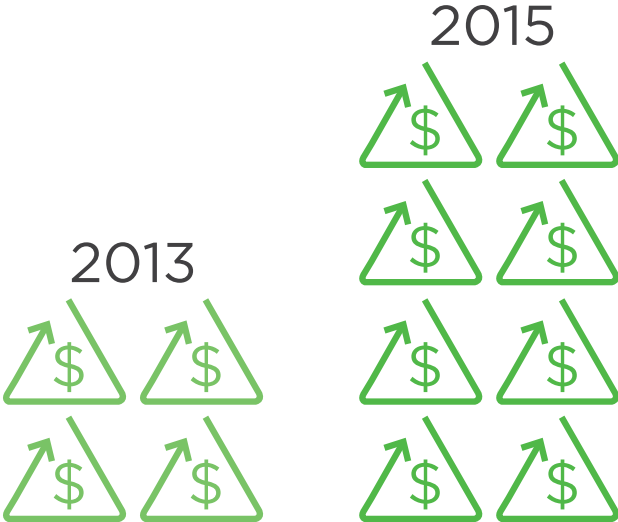
Since the first Australian Fashion report was published in 2013 we have seen significant progress in how companies are taking action to ensure workers in their supply chains are not being exploited. While there is still a long way to go, it is important to recognise the positive steps that have been taken.



Brands graded for the Australian Fashion Report

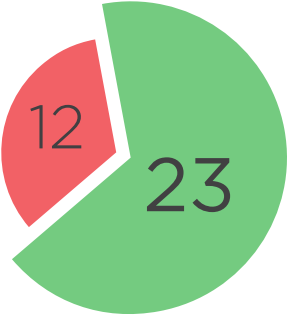


Level of engagement from companies we approached

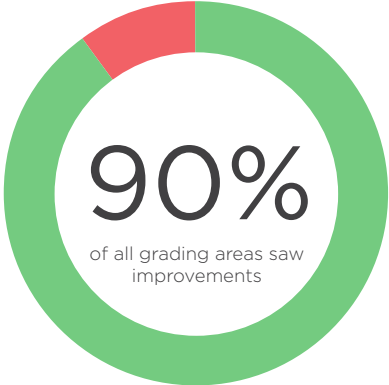


Number of companies taking action to improve worker wages on the path towards paying a living wage.

For companies assessed in both reports:



Two thirds of the brands we first engaged with in 2013 improved their grades in 2015



Introduction | Australian Fashion Industry Overview

These grades indicate the extent to which a company has traced its suppliers and established systems throughout its supply chain that can enable it to prevent and address worker exploitation and modern slavery. The grades below show each company's overall grade as well as grades in each of the assessed categories: Policies, Traceability & Transparency, Monitoring & Training and Worker Rights.

KEY: yes partial no

Total Grade:

* = non responsive companies

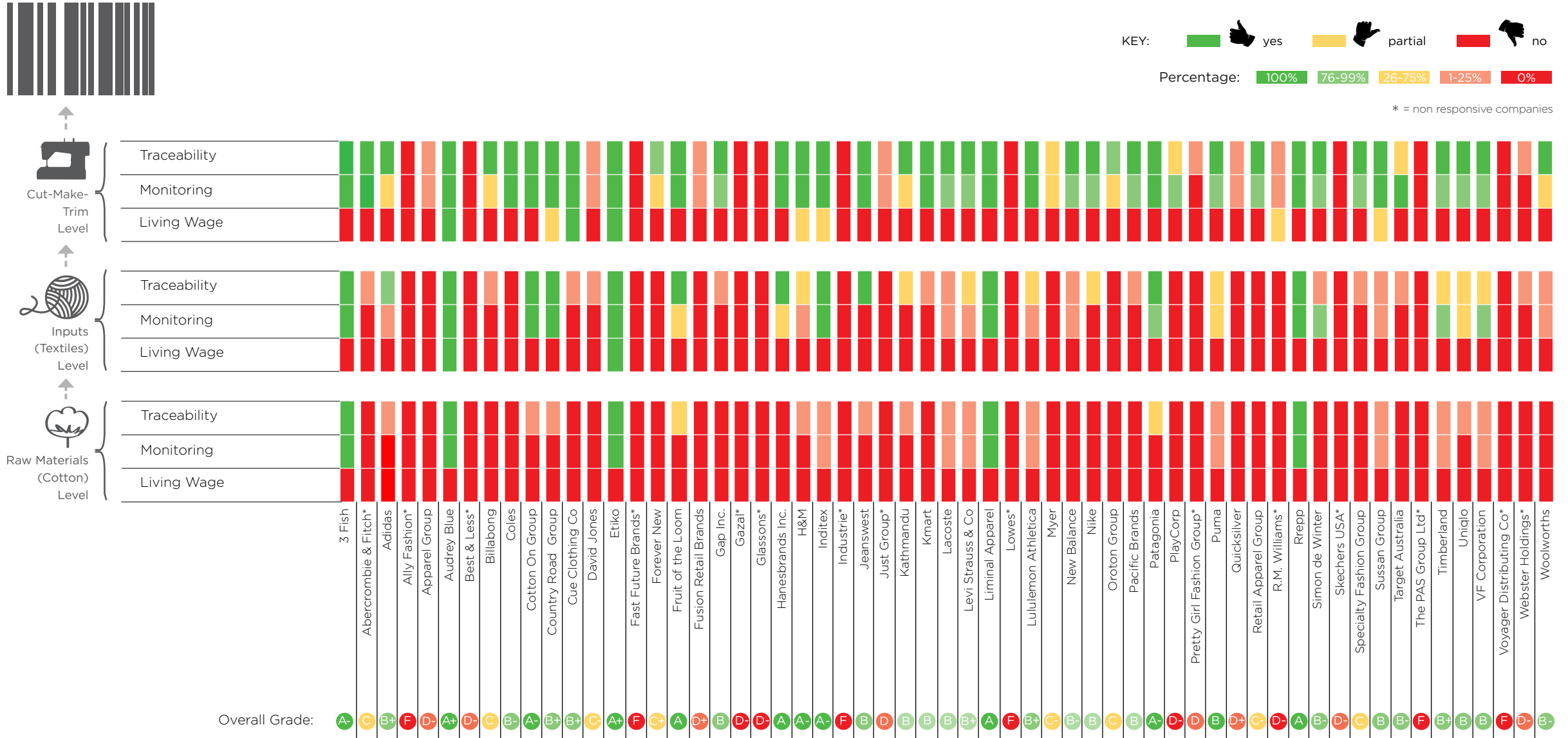
Overall Grade:

Company	Policies	Traceability & Transparency	Monitoring & Training	Worker Rights Grade	Overall Grade
3 Fish	A-	A+	A	B-	A-
Abercrombie & Fitch*	C+	C-	B-	C-	C
Adidas	A	A-	A-	C	B+
Ally Fashion*	F	F	F	F	F
Apparel Group	D+	D-	D-	F	D-
Audrey Blue	A+	A+	A	A+	A+
Best & Less*	B-	F	F	F	D-
Billabong	C	C	C+	D-	C
Coles	B	B-	B	D-	B-
Cotton On Group	A	A	A-	C	A-
Country Road Group	B+	A-	A-	A-	B+
Cue Clothing Co	A	B	A-	A	B+
David Jones	B	C	D+	D-	C
Etiko	A+	A+	A	A+	A+
Fast Future Brands*	F	F	F	F	F
Forever New	B-	B-	C+	D-	C+
Fruit of the Loom	A	A	A	B+	A
Fusion Retail Brands	C-	D+	D+	D-	D+
Gap Inc.	A-	B	B+	D+	B
Gazal*	C+	F	F	F	D-
Glassons*	D+	F	F	F	D-
Hanesbrands Inc.	A-	A	A	A-	A
H&M	A+	A-	A-	B	A-
Inditex	A	A-	A	B+	A-
Industrie*	F	F	F	F	F
Jeanswest	B+	A-	B+	D-	B
Just Group*	D-	D	D	F	D-
Kathmandu	A	B+	C+	D	B
Kmart	A-	B-	B	D-	B
Lacoste	B+	B	B+	D-	B
Levi Strauss & Co	A	B+	A-	D+	B+
Liminal Apparel	A	A+	A	B-	A
Lowes*	F	F	F	F	F
Lululemon Athletica	B+	A-	A-	C+	B+
Myer	C	C-	C	D-	C-
New Balance	B	B	B	C-	B-
Nike	A-	B+	B+	C-	B
Oroton Group	B-	C	C+	D-	C
Pacific Brands	A-	B-	B	D	B
Patagonia	A+	A-	A-	B-	A-
PlayCorp	D-	F	F	F	D-
Pretty Girl Fashion Group*	D-	D	D	D	D-
Puma	B+	A-	B+	D	B
Quicksilver	B	D	D	F	D+
Retail Apparel Group	D+	C	C	F	C-
R.M. Williams*	C-	F	F	F	D-
Rrepp	A	A+	A	B	A
Simon de Winter	B	B	B	D	B-
Skechers USA*	B-	F	F	F	D-
Specialty Fashion Group	C+	B-	C+	D-	C
Sussan Group	B-	B+	B+	D	B
Target Australia	A	C+	C+	D-	B-
The PAS Group Ltd*	F	F	F	F	F
Timberland	B+	A-	A-	C	B+
Uniqlo	A-	B+	A-	D	B
VF Corporation	B+	B	A-	D	B
Voyager Distributing Co*	F	F	F	F	F
Webster Holdings*	D-	D-	D-	D-	D-
Woolworths	A-	B-	C+	D-	B-

Introduction | Stages of Production Overview

Three of the most crucial components of a strong labour rights management system are traceability, monitoring and the payment of living wages. Companies that haven't traced (i.e. don't know) the suppliers producing their products can't actively ensure that workers are being protected from labour rights abuses; effective monitoring is essential to check compliance against codes of conduct; and the payment of a living wage is one of the most critical impact barometers for improved worker welfare.

This graph summarises how companies are performing at each stage of production against each of these components of their labour rights management systems.



Introduction | Living Wage

Wages are one of the chief concerns for workers. Many ethical sourcing policies require the payment of a legal minimum wage or the industry standard wage which usually amount to the same thing. The legal minimum wage often is not sufficient for a worker and his/her dependents to meet their basic living needs. Legal minimum wages may keep workers and their families in poverty or force them into working excessive overtime to make ends meet.

For example, even though the minimum wage has increased by 75% in Bangladesh since the fatal Rana Plaza collapse in 2013, it still has the lowest minimum wage in the world. The current US \$68 per month falls far short of the US \$104 per month that unions are suggesting. The total cost of t-shirt production in Bangladesh is estimated at around 50c per shirt¹. To pay a living wage may cost less than an additional 30c per t-shirt.

We believe that one of the most demonstrable and measurable differences a company can make to the welfare of their workers is the payment of a 'living wage'. That is a wage high enough to ensure that workers can meet the basic needs (food, water, shelter, clothing, energy, transport etc.) for themselves and their families with a small amount left over for savings in case of an emergency.

Despite this, our research shows that of all the brands assessed, only eight have demonstrated that they are actively engaged with improving the wages of workers. Only two companies could actively demonstrate that they were paying a full living wage, and even then, only for two tiers of their supply chain. Fairtrade brands, Audrey Blue and Etiko (owner of Jinta and Pants to Poverty) gained full credit for paying a living wage at both the fabrics level and the final cut-make-trim level of their supply chains. This has been confirmed through audit reports

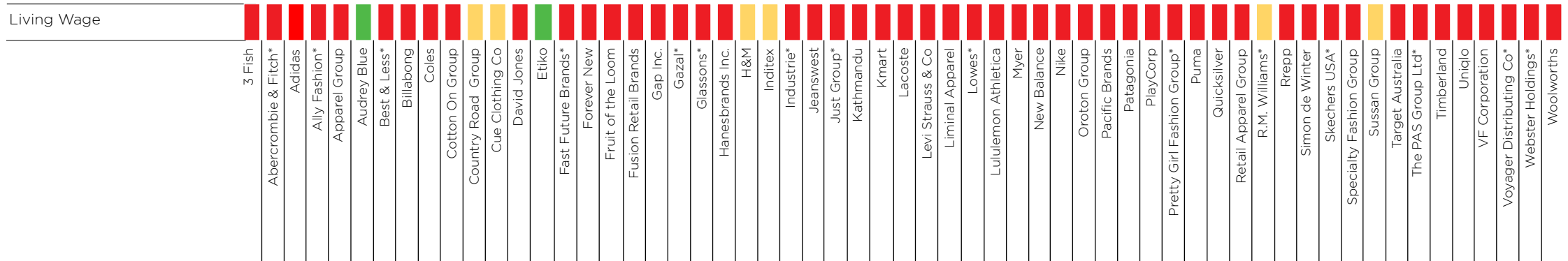
and evidence of formal calculations suppliers have made to ensure the wages they pay workers meet basic needs.

The world's two largest fashion retailers, H&M and Inditex (Zara), have both taken action to pay wages above the legal minimum at their cut-make-trim facilities, so have been awarded partial credit. To be able to identify that these industry leaders are recognising the importance of taking action on improving worker wages and moving towards the payment of a living wage was one of the most encouraging developments since our last report. The Country Road Group (which also owns Mimco, Trenery and Witchery) and The Sussan Group (Sportsgirl, Sussan and Suzanne Grae) also pay wages above the legal minimum at a portion of their cut-make-trim facilities; so have been awarded partial credit. These companies are the only Australian, non-certified brands that are actively pursuing living wage initiatives.

Cue (which also owns Veronika Maine) and R.M. Williams (which also owns Colts & Fillies, Longhorn, and Stockyard) are other companies paying a living wage; although this is guaranteed only at the cut-make-trim stage of its production and only for clothes carrying the Ethical Clothing Australia tag which it uses for a proportion of its Australian made products.

While these 8 companies that have taken action to improve wages represent a welcome sign of progress for the industry, it remains a significant concern that 86% of all companies in this report are still not actively seeking to ensure that the workers producing their product receive a living wage.

¹ Estimates taken from National Public Radio's Planet Money T-Shirt Project (2013)

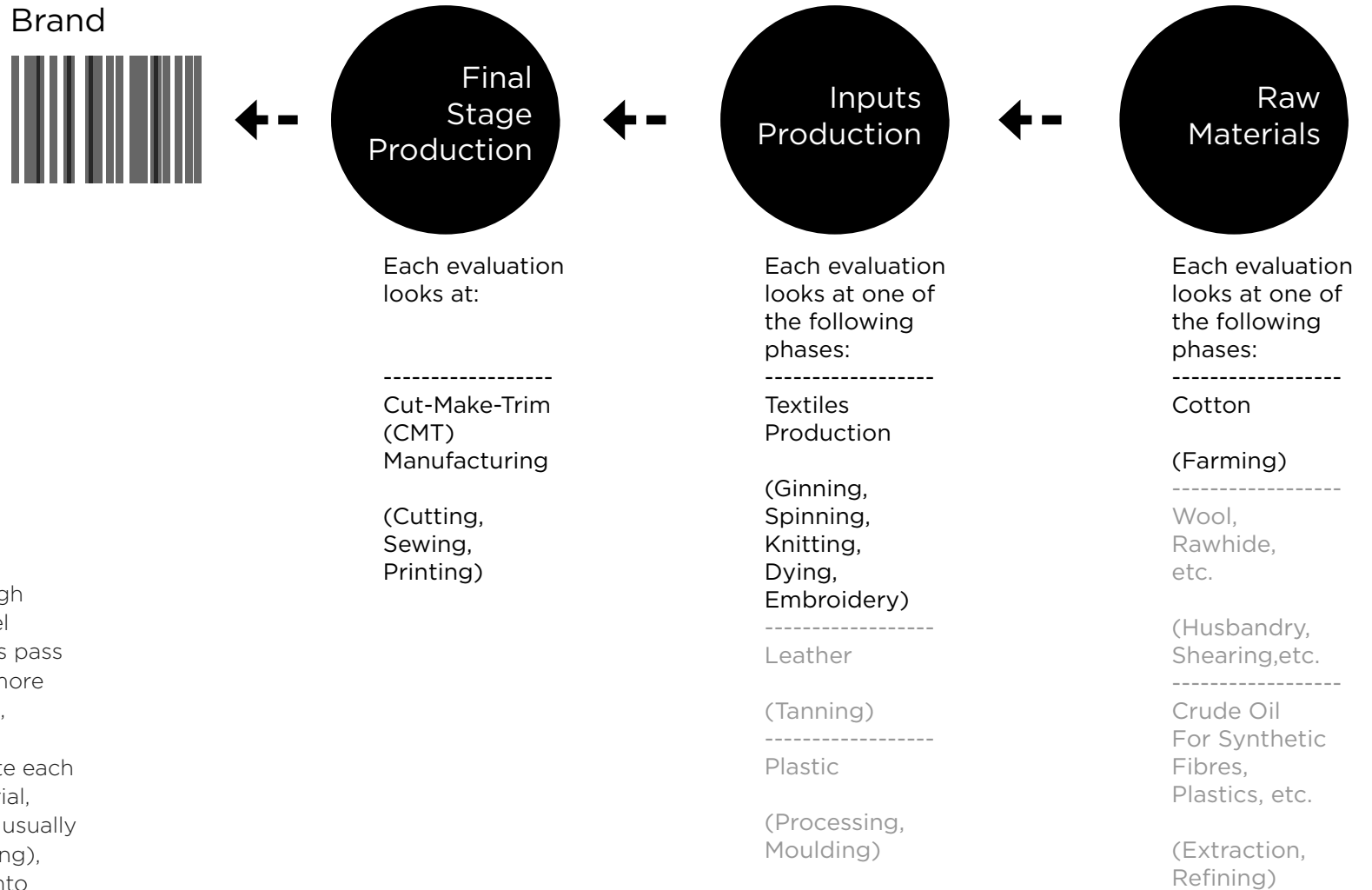


1

METHODOLOGY

This chapter provides an overview of the research methodology. It also covers the scope of the report, and provides basic information about apparel supply chains.

Our evaluations focus on three main production phases of each supply chain:



SCOPE OF EVALUATIONS

Most apparel travels through various parts of the world and through many hands before reaching store shelves. Even within the apparel industry, there are different sorts of supply chains. Some garments pass through dozens of hands and countries. Other supply chains are more vertically integrated. The making of a garment involves harvesting, manufacturing, transportation, and many phases in between.

Our assessments focus on three stops along this chain: we evaluate each company's management of the production of one main raw material, one main input, and the final manufacturing stage. In apparel, this usually means we look at cotton farming, textiles production (fabric-making), and cut-make-trim manufacturing (where fabric is cut and sewn into garments). Some companies are doing more to address issues in other phases, like leather production; in these cases we cater our assessment to best evaluate the company's initiatives.

Methodology | Grading Process

A company's grades are a measure of its efforts to guard against the use of child and forced labour in its supply chain. They are based on publicly available information and data self-reported by the company. This publication provides an overview of 59 apparel company ratings. Many of these companies own multiple brands; the assessments in this report look at 219 brands in total (see Index page 31 for details).

In assessing a company, we ask a set of 61 questions about its production policies and practices. Our assessment questions concern a company's management of raw materials, inputs and cut-make-trim manufacturing, and fall into four categories:

POLICIES: We evaluate the brand's code of conduct, sourcing and subcontracting policies, and involvement with other organisations working to combat child and forced labour.

TRACEABILITY & TRANSPARENCY: We look at how thoroughly the brand understands its own supply chain, and whether it discloses critical information to the public.

MONITORING & TRAINING: We measure the adequacy of the brand's monitoring program to address the specific issues of child and forced labour.

WORKER RIGHTS: We assess the degree to which the brand supports worker well-being by ensuring that workers are able to claim their rights at work through organising, and whether workers earn a living wage.

In conducting a brand evaluation, our research team first assesses a brand's own publications alongside relevant independent reports and data such as third party audit findings and non-governmental organisation (NGO) publications. Next we send our questionnaire to the company for information and comment, which we in turn review; we allot six to eight weeks for this process. Where a company is non-responsive, we note this on its scorecard (indicated by an asterisk next to the company's names). Companies which were not responsive were provided a copy of the assessment twice by post, and also notified of the final grade they received before this report was published. Our research team also attempted to contact them by phone and via email addresses provided on company websites for public enquiries, to offer them an opportunity to provide information and comment on our research. The research conducted by Baptist World Aid Australia for this report was conducted over a period of 18 months. We remain open to regrading these non-responsive companies in the future should they wish to provide us with further information about their supply chain management practices.

Our grades are an indication of the extent to which companies have developed a set of management systems that, if used together, can reduce the risk of labour exploitation. It is important to note however that, outside of a few metrics, we are only able to gather

information on management systems and not on the supply chain working conditions they are designed to facilitate; this is because the overwhelming majority of companies are not transparent with working condition information. Except in a few cases, companies have not made monitoring reports, corrective action plans, or line-by-line statistics on the implementation of code standards available to the public. Without this information, a direct analysis of the impact of these management systems on child labour, forced labour and many broader worker rights is not possible.

One area where tangible benefits to employees can be demonstrated and assessed is wages. Wages are also arguably one of the most accurate impact barometers for improved worker rights and an area of chief concern to workers. Given the significance of living wage payments, the burden of proof to gain credit for a living wage in this report was increased relative to the 2013 report. Companies were asked to provide an audit report that demonstrated that wages being paid were above minimum wage and (if applicable) whether any additional livelihood services, such as healthcare or education, were being provided. Companies were also asked to provide documentation demonstrating that they had developed a methodology to understand and calculate a living wage and had completed formal calculations to demonstrate that living wages were being paid. See page 6 of this report for more information on living wage.

Our grades take into account the prevalence of child and forced labour in the countries in which companies report operating. Where companies source from suppliers in low risk areas, they are graded on a softer curve because it is expected that less stringent management systems are necessary to combat abuse in these regions, particularly where a strong national rule of law exists.

High grades do not necessarily represent supply chains free of child or forced labour, but instead those that are better managed on a relative basis.

For more information on our risk assessments and broader methodology, see www.free2work.org. For more information about this report, and to find out more about further advocacy campaigns by Baptist World Aid Australia, see www.behindthebarcode.org.au.

2 State of the Industry:

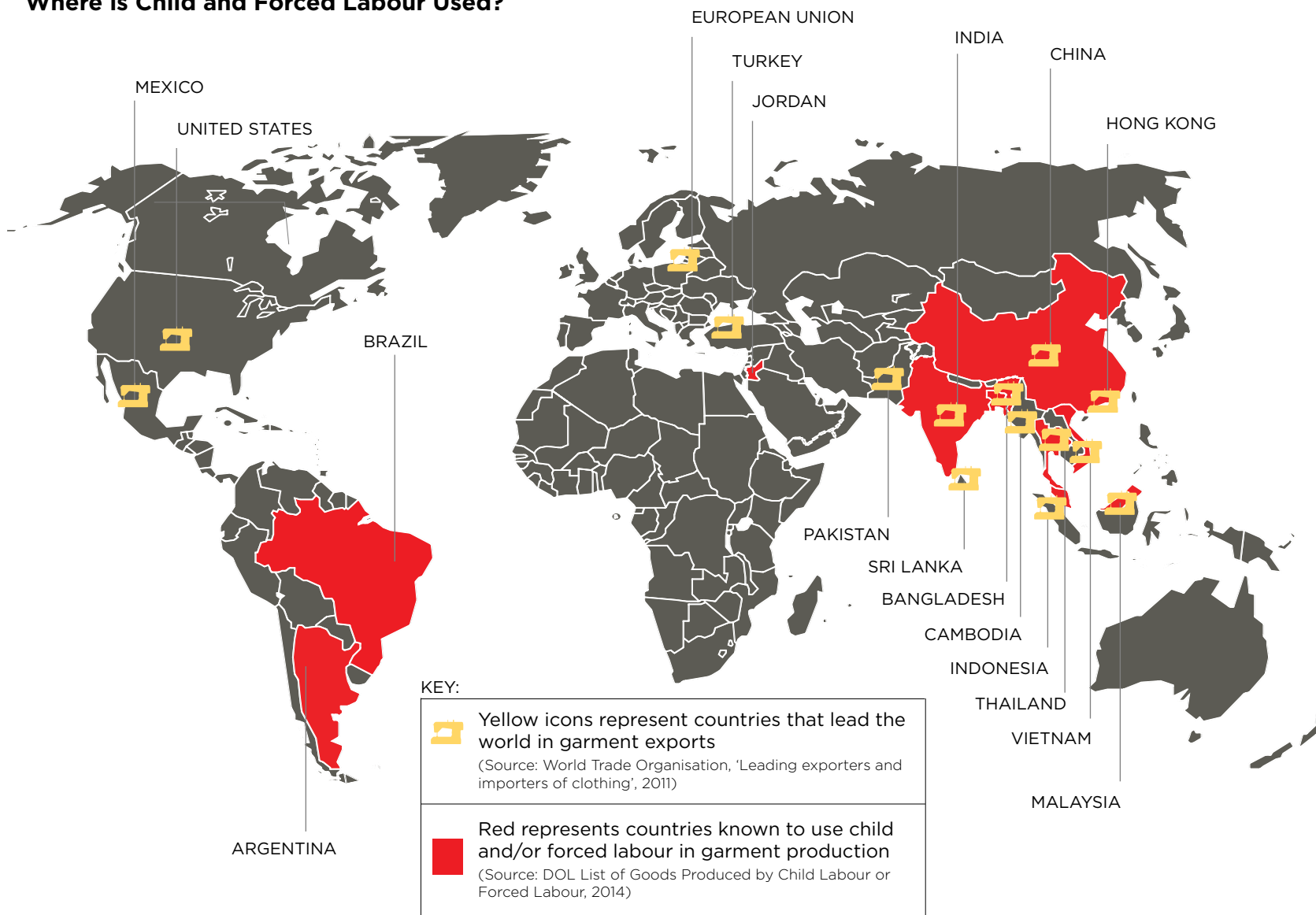
CHILD LABOUR, FORCED LABOUR AND WORKER EXPLOITATION

This chapter provides a geographical overview of where child and forced labour is used in apparel production today. We look at three main phases: cut-make-trim manufacturing, textiles production, and cotton growing and harvesting. We use this information to understand companies' specific supply chain risks.

Child & Forced Labour in Cut-Make-Trim Manufacturing

Due to decades of international exposure, child and forced labour is less prevalent in export apparel factories today than it was twenty years ago. Nonetheless, modern slavery and exploitation remain a significant concern in most apparel-producing regions around the world. Global exporters, including China, India and Bangladesh are known to use child and/or forced labour in their garment production.

Where is Child and Forced Labour Used?



SPOTLIGHT: BANGLADESH

The garment industry in Bangladesh has become an economic and social phenomenon. In the last decade alone, the size of the industry has doubled. It now employs over four million workers (85% of whom are women) and comprises 80% of the country's exports. Bangladesh attracts garment producers because the costs of production are so low. These low costs come with a hefty price, including the lowest manufacturing wages in the world (\$68 US per/month) and a history of appalling, potentially life-threatening working conditions. The exploding garment industry has done too little to lift the economic fortunes of the Bangladeshi people, with around one third still living in poverty.

Since the 2013 Rana Plaza factory collapse where over 1,100 workers lost their lives, there has been significant global pressure for changes in the industry. And change is underway, with substantial improvements being made in the safety of many factories and a rise in the minimum wage. The minimum wage has increased almost 75% from \$39 to \$68 a month. Additionally, over 190 apparel brands have signed the Accord on Fire and Building Safety in Bangladesh, a five year independent, legally binding agreement between global brands, retailers and trade unions designed to build a safe and healthy Bangladeshi Ready Made Garment Industry.

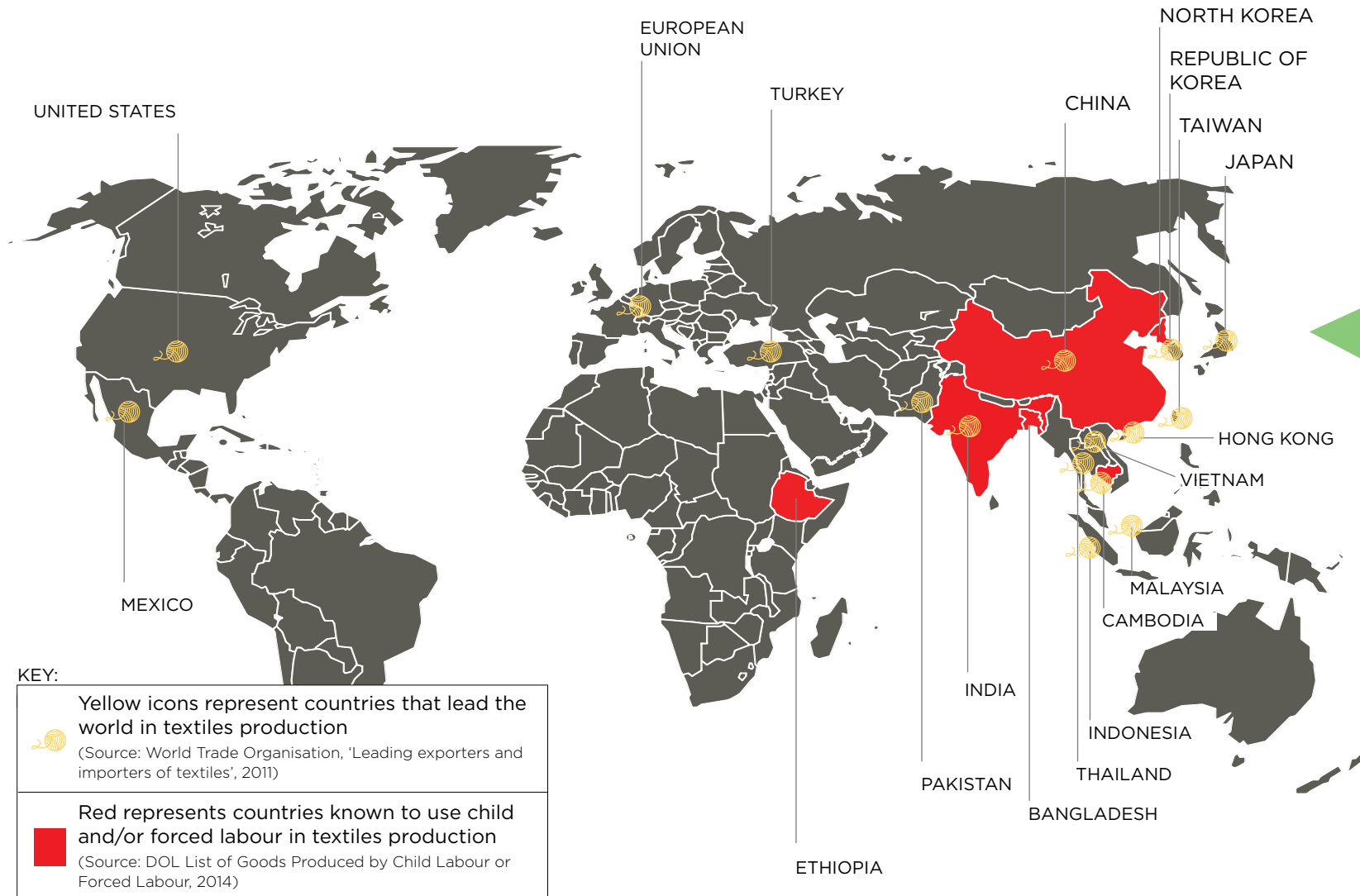
However Bangladesh still has a long way to go. The increase to minimum wage still falls far short of the \$104 per month living wage that unions are asking for. And while 1,800 of the 4,500 garment factories in the country are now covered by the Accord, this still leaves the majority uncovered and predisposes many workers to an unsafe working environment where injuries, harassment and the potential for child labour remain prevalent.

The World Bank, 'World Development Indicators', 2015.
 NPR, 'Next Stop Bangladesh As We Follow Planet Money's T-Shirt', 2013.
 War on Want, 'Sweatshops in Bangladesh', 2013.
 Reuters, 'Bangladesh Exports up 10pc on garment sales', 2013.
 Garrett Brown, 'Bangladesh Blowback: hopes are raised for improved garment factory safety', 2014.

Child & Forced Labour in Textiles Production

Most apparel companies have taken significant steps to monitor the working conditions in at least some portion of their cut-make-trim (CMT) factories, the final stage of apparel production. Since the 2013 report we have seen an increase in companies taking action to know the suppliers deeper in their supply chain (those that provide inputs and raw materials like cotton), however the majority of these suppliers remain untraced, unmonitored and out of sight. This opacity significantly contributes to the risk of abuse in these production phases. Child and/or forced labour is documented in seven countries at the textiles level.

Where is Child and Forced Labour Used?



SPOTLIGHT: INDIA

As a global textiles manufacturing hub, certain areas of India are home to some of the worst incidences of child and forced labour. In Tamil Nadu in southern India, a practice known as the 'Sumangali Scheme' has forced many young women into labour bondage. These schemes see recruiters target unmarried girls (as young as 14) from poor families, offering them work for a 3-5 year period with false promises of professional development, comfortable accommodation, adequate food and a lump sum payment at the conclusion of their contract, which will serve as a dowry.

Once the girls arrive at the mills however, they face a very different reality. Many encounter terrible living and working conditions, poor food quality, lack of access to adequate sanitation, forced overtime, gender discrimination and sexual abuse. It is estimated that less than 35% ever receive their lump sum payment.

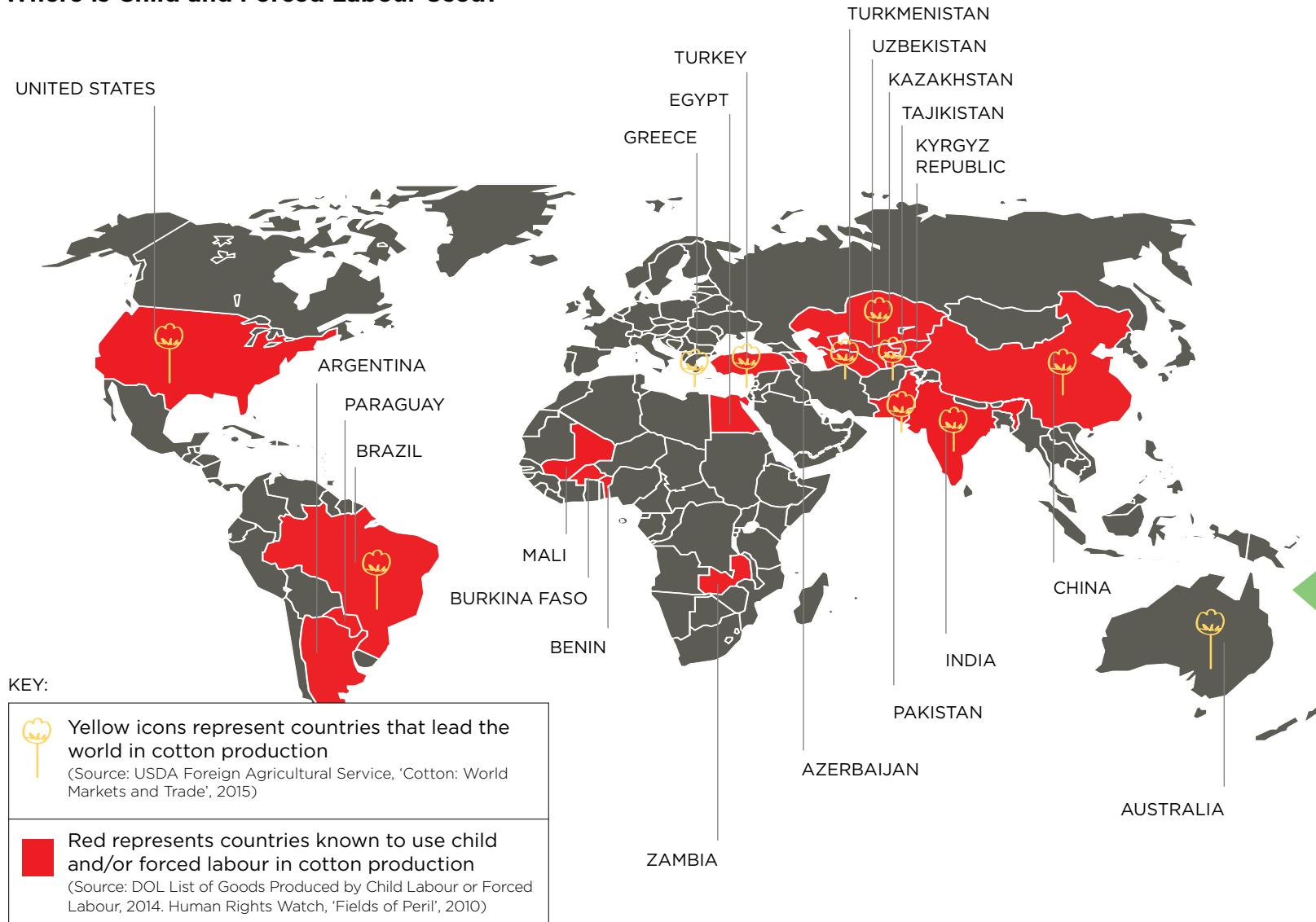
While a limited number of brands have some awareness of Sumangali schemes and a desire to address them in their supply chain management, it is a largely invisible issue. Local NGOs estimate that 200,000 young women and girls are currently caught in this kind of trafficking, a situation which begs for international intervention and a stronger stance from global apparel companies.

Stop the Traffik, 'Make Fashion Traffic Free Report', 2014.
International Federation for Human Rights, 'The Hidden Reality of Indian Garment Workers', 2014.

Child & Forced Labour in Cotton Production

Much of the apparel we buy contains cotton which is produced and harvested by people held in modern forms of slavery. It is reported that at least 17 countries are known to use child and/or forced labour in cotton production. Even though awareness of this kind of inhumane labour has increased, of the top ten global cotton producers, only Australia and Greece have no reported incidences of child and forced labour.

Where is Child and Forced Labour Used?



SPOTLIGHT: UZBEKISTAN

Uzbekistan, a nation now infamous for its use of forced child labour, is currently the world's fifth largest exporter of cotton. Every year the Karimov government forces up to a million people into the cotton fields. For decades this has included children as young as 10. Here they work under appalling conditions, oppressed by threats of violence and penalties.

Recently, due to immense global pressure and the actions of hundreds of apparel companies pledging to boycott Uzbekistani cotton, the government has renounced the use of child labour. A 2014 monitoring report by the International Labour Organization (ILO) revealed that forced child labour is no longer "used on a systematic basis" in Uzbekistan. This is a significant step forward that has meant thousands of children have been liberated from forced labour; however there remain concerns that pockets of child labour remain, particularly with children over the age of 15.

What is more, forced labour amongst adults remains high, particularly within public services such as healthcare and education. In schools across the country 50% of teachers are absent at any given time, which is a significant impediment to the education of children. Citizens who speak out against these abuses face being punished with detention, torture and exile. As long as these human rights breaches persist, so must global pressure from international brands and consumers.

Cotton Campaign, 'End Forced Labour in the Cotton Sector of Uzbekistan', 2012.
International Labour Organization, 'Worst Forms of Child Labour Convention (No. 182) - Uzbekistan', 2014.
The Uzbek-German Forum for Human Rights, 'Preliminary Report on Forced Labour During Uzbekistan's 2014 Cotton Harvest', 2014.

Child and Forced Labour in the Supply Chain | Uzbekistan



The following brands have taken substantial steps to ensure that they are not using Uzbekistani cotton:

The companies on this list have taken steps in one of the following four ways:

1. Provided a public commitment by signing the Cotton Pledge with the Responsible Sourcing Network. The full list of companies which have signed this pledge may be viewed here www.sourcingtonetwork.org/the-cotton-pledge
2. The company has provided Baptist World Aid Australia or Stop the Traffik with a commitment to not knowingly use cotton sourced from Uzbekistan, along with confirmation that they have either communicated this commitment to their suppliers and have undertaken audits to enforce this commitment
3. The company has provided a public commitment to not knowingly use cotton sourced from Uzbekistan, or
4. The company has traced the origins of 100% of their cotton supply chain.



Companies Boycotting Uzbekistani Cotton
3 Fish
Abercrombie & Fitch
Adidas Group
Audrey Blue
Cotton On Group
David Jones
Etiko
Gap Inc.
Fruit of the Loom
H&M
Inditex
Jeanswest
Kathmandu
Kmart
Lacoste
Levi Strauss
Liminal Apparel
Lululemon Athletica
Myer
New Balance
Nike
Pacific Brands
Patagonia
Puma
Rrepp
Sussan Group
Target
Uniqlo
Woolworths

Child and Forced Labour in the Supply Chain | Bangladesh



The Accord on Fire and Building Safety in Bangladesh is a legally binding agreement to protect the safety of workers; it gathered significant momentum in the aftermath of the Rana Plaza building collapse in 2013 and is regarded as the best practice health and safety initiative in Bangladesh.

The following companies are signatories to the Accord :

Companies that are Signatories to the Accord on Fire and Building Safety in Bangladesh
Abercrombie and Fitch
Adidas Group
Cotton On Group
Forever New
Fruit of the Loom
H&M
Inditex
Kmart
Pacific Brands
Pretty Girl Fashion Group
Puma
Specialty Fashion Group
Target Australia
UNIQLO
Woolworths

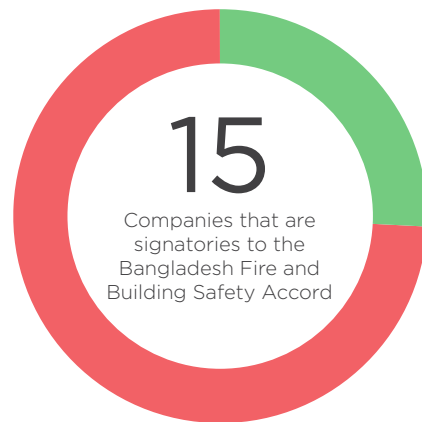
The agreement consists of six key components:

1. A five year legally binding agreement between brands and trade unions to ensure a safe working environment in the Bangladeshi RMG industry
2. An independent inspection program supported by brands in which workers and trade unions are involved
3. Public disclosure of all factories, inspection reports and corrective action plans (CAP)
4. A commitment by signatory brands to ensure sufficient funds are available for remediation and to maintain sourcing relationships
5. Democratically elected health and safety committees in all factories to identify and act on health and safety risks
6. Worker empowerment through an extensive training program, complaints mechanism and right to refuse unsafe work.

*If a company does not appear on this list it does not necessarily mean they are not investing in worker safety at this stage of the supply chain.

They may:

- a) Not operate in Bangladesh, or
- b) Be signatories of the Alliance of Bangladesh Worker Safety, a less comprehensive more informal agreement to “improve working conditions for garment industry workers”.



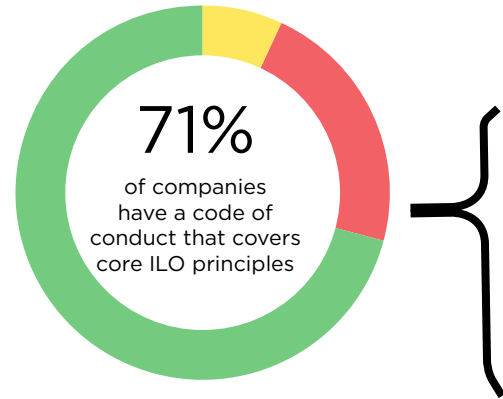
3

State of the Industry:

POLICIES

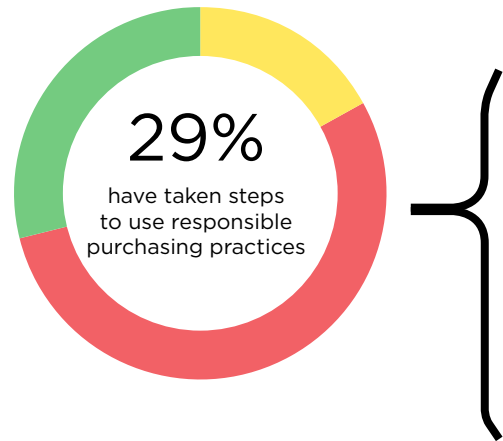
This chapter focuses on apparel companies' policies to address exploitation, child labour and forced labour in their supply chains. It looks at how 59 companies perform in this category.

While good policies do not necessarily mean good practices, they are a critical starting point. They form the backbone of management systems that uphold worker rights and protect against abuses like the use of child and forced labour.



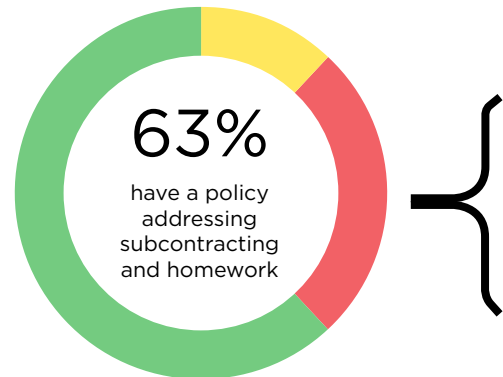
CODES OF CONDUCT

A Code of Conduct lays out minimum social requirements suppliers must follow. Good codes are based on internationally agreed upon standards. The International Labour Organization's (ILO) Four Fundamental Principles and Rights at Work define clear principles for prohibitions against child labour, forced labour and discrimination, and guarantees for worker rights to freedom of association and collective bargaining. Among the apparel companies we assessed, 71% have Codes of Conduct that align at minimum with these basic principles.



RESPONSIBLE PURCHASING

The way a company purchases from its subcontracted factories and suppliers affects those businesses' ability to provide fair conditions to workers. The quick order turnarounds of the fast-fashion world, for example, can lead a supplier to force workers to labour overtime. When companies squeeze suppliers by demanding low prices, this means suppliers have less money to spend on paying decent wages. Very few of the companies assessed guarantee a decent price to their suppliers or otherwise financially enable their suppliers to comply with code standards. Nevertheless, 46% of those assessed did report some steps towards improving purchasing practices, which indicates at least an admission of the need to address the problem.



SUBCONTRACTING POLICIES

It is common practice for suppliers to subcontract parts of companies' orders out to unauthorised, unmonitored facilities where workers are left without any redress in the event of abuse. 63% of companies assessed say they are taking steps to implement policies against unauthorised production; most commonly this entails monitoring suppliers' production volumes against capacities.

Policies | Good Practice Highlights

The following are more detailed snapshots of two companies' good practices in the policies category:

Code of Conduct and Policy Good Practice:

COTTON ON GROUP

(Brands: Cotton On, Cotton On Body, Factorie, Rubi Shoes, Supre, T-bar by Cotton On, Typo)

It has been encouraging to see that overall, quality of codes of conduct have improved since the 2013 report. 71% of companies assessed in this report have a code of conduct that covers the core International Labour Organisation's (ILO) Four Fundamental Principles and Rights at Work. 100% of companies assessed in 2013 and appearing in this report, now have a code that addresses labour standards.

While many companies demonstrated commendable codes, the Cotton On Group not only has a strong code of conduct addressing core ILO standards, it also makes the specifics of this code (known as '14 Rules to Trade') and all of their policies towards ethical sourcing publicly available on their website. Details of the company's policies addressing subcontracting, audits, supplier compliance, responsible purchasing practices and multi-stakeholder initiatives are all publically available, allowing consumers to make informed decisions about their purchases. This brings Cotton On's code close to par with large international brands like H&M and Zara in terms of quality and accessibility, while establishing a firm foundation to build effective monitoring benchmarks.

Responsible Purchasing Good Practice:

PATAGONIA

The way a company purchases from its subcontracted factories and suppliers affects those businesses' abilities to provide fair conditions to workers. Having responsible purchasing practices demonstrates a company's awareness of the downward pressure on the suppliers they are responsible for when they prioritise low costs and quick turnarounds over worker livelihoods. In contrast, responsible purchasing practices ensure that companies are enabling suppliers to be able to provide safe working conditions and decent wages for their workers.

Patagonia is one of a few companies that have implemented significant structural change to ensure responsible purchasing practices, taking responsibility for certain risks and costs their suppliers face. Patagonia tracks the minimum, average and living wage rates for all of its garment factories to ensure that in its costing formula, the labour rate is closer to, or meets the living wage rates. They are also working hard to improve operations deeper down the supply chain, taking responsibility for implementing management of tracing the raw materials that suppliers are sourcing to ensure fair pricing.

As a founding member of the Fair Labour Association (FLA), Patagonia is participating in the RESPECT Project which aims to develop innovative methodology and tools to help companies drive change in the way purchasing practices operate in supply chains. Patagonia's long term commitment to responsible purchasing practices is highlighted in the book 'The Responsible Company' written by the founder and owner of Patagonia, which details Patagonia's 40 years' experience in running a business that strives for environmental and social responsibility throughout the supply chain.

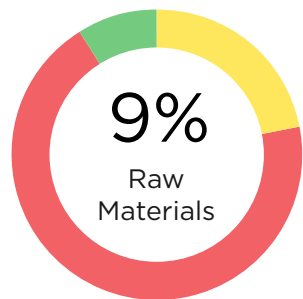
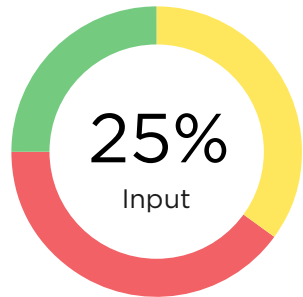
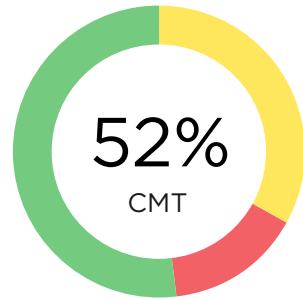
4 State of the Industry:

TRACEABILITY & TRANSPARENCY

This chapter focuses on apparel companies' supply chain traceability and transparency.

Traceability & Transparency | State of the Industry: Overview

Percentage of companies that have fully traced their suppliers, at particular supply chain levels:



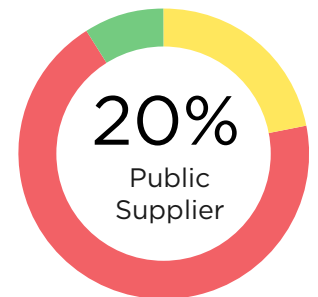
Surprisingly, many companies do not know exactly who produces their goods. Since child and forced labour is used in garment, textiles and cotton production globally, it is critical that a company knows the actors at each stage of its supply chain to guard against such abuses. Public transparency is important as well because it shows a company's willingness to being held externally accountable for its supply chain. We define traceability as the extent to which a company understands its supply chain, and transparency as the extent to which it makes information publicly available.

KNOWN SUPPLIERS

We believe that companies are responsible for the workers making products in every stage of production, and traceability is the first concrete step a company can take to realising this responsibility. While most companies have some relationship with their direct cut-make-trim suppliers, they are often less clear about whether these suppliers are contracting production out to other factories. Of concern, deeper into the supply chain where the risks of abuse are often most prevalent, only 25% of companies had fully traced their inputs, and 9% their cotton.

PUBLIC SUPPLIER LISTS

Companies can show workers, consumers, and the public as a whole that they are committed to being held accountable to the workers in their supply chains by publishing supplier lists. Transparency enables independent groups to shed light on working conditions, which can in turn facilitate better public understanding of the issues and consumer demand for change. Of the companies we assessed, 20% publish a full cut-make-trim supplier list.



Traceability & Transparency | Company Performance

See which companies performed the best and which companies lack in traceability and transparency. Most companies own multiple brands; see index for full brand breakdown.

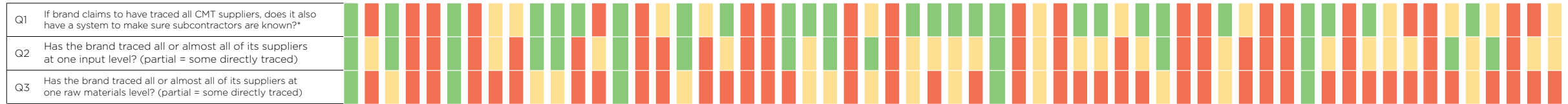
KEY:

■ yes ■ partial ■ no

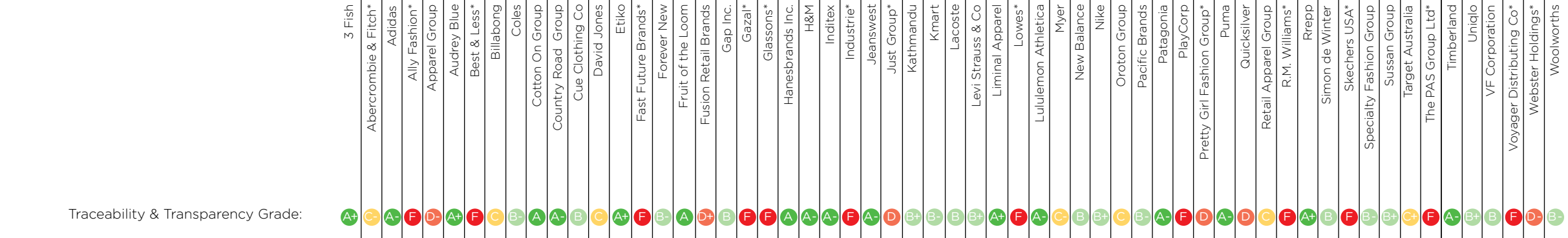
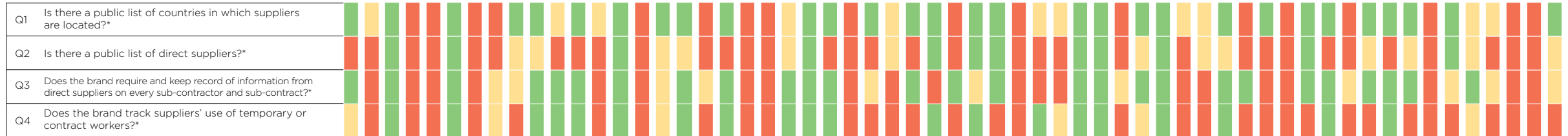
Total Grade: ● A ● B ● C ● D ● F

* = non responsive companies

Traceability



Transparency



Traceability & Transparency Grade:

Traceability & Transparency | Good Practice Highlights

The following are more detailed snapshots of three companies' good practices in the traceability and transparency category:

Traceability Good Practice:

INDITEX

(Zara)

The prevalence of outsourcing in the apparel industry means many companies are unaware of who their suppliers are. Actively tracing suppliers throughout the supply chain is a crucial step towards taking responsibility for workers. It is critical that companies know who is producing their products in order for them to monitor social compliance and uphold worker rights.

In 2013, Inditex designed a new online system to cover the company's traceability needs, allowing Inditex to trace beyond their direct cut-make-trim suppliers to subcontractors and fabric suppliers as well. The online tool allows suppliers to efficiently and transparently share information with the company about subcontracting and fabric sourcing at more frequent intervals. The tool also allows for clear records of audit reporting, so that any breaches of the code of conduct will not only be detected, but also corrective action plans can be implemented and facilities can be continually monitored for improvement.

By employing this tool, Inditex aims to raise suppliers' awareness of the importance of product traceability. To ensure compliance, numerous seminars and training sessions were held and attended by more than 1,100 suppliers, representing 73 per cent of the total. This initiative demonstrates a commendable step in Inditex's journey towards complete supply chain traceability.

Transparency Good Practice:

ADIDAS

(Adidas, Ashworth, Rebok, Taylo Made)

Companies can demonstrate their commitment to being accountable to the rights of workers in their supply chain by publishing supplier lists. While a small group of companies including Kmart Australia have published this information publically, Adidas sets itself apart for the following reasons:

Adidas has proved its commitment to transparency and public disclosure through publishing online its global factory list for not only cut-make-trim direct suppliers, but also subcontractors at this stage of production. These lists detail the country and city the factory is located in and the name of the factory. As well as disclosing suppliers and subcontractors for mainstream products, Adidas published specific factory lists for suppliers of major world sporting events like the 2014 FIFA World Cup and 2012 London Olympics which not only detail the factory name and location, but also whether there is any trade union representation at the factory and if Collective Bargaining Agreements are in place. This reveals a positive attitude towards freedom of association, ensuring workers can claim their rights at work.

Transparency Good Practice:

LIMINAL APPAREL

Liminal Apparel is a Fairtrade and Global Organic Textile Standard (GOTS) accredited company that sources its entire supply chain from India. Liminal Apparel has disclosed its full supply chain information visually through an interactive online platform called 'UnZipMyHood', which visually traces the journey that a Liminal Apparel hoodie takes from farm to store. This platform publically disclosed the names and addresses of all facilities, from the cotton farms and textile mills, to the final cut-make-trim facilities. At each stage of production the platform also provides information about the facility and worker demographics as well as a video, cleverly combining both transparency and traceability. This innovative display encourages consumers to become aware of where garments come from and to engage in the entire journey of production.

5

State of the Industry:

MONITORING & TRAINING

This chapter focuses on apparel companies' monitoring and training programs, which can be important parts of systems that effectively prevent worker exploitation.

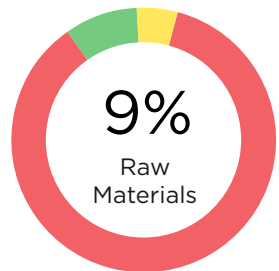
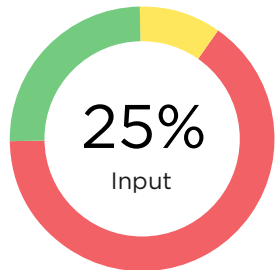
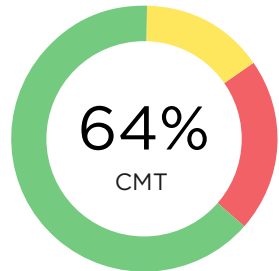
Monitoring & Training | State of the Industry: Overview

Audits are tools companies can use to get snapshots of supplier working conditions, and to identify major abuses such as the use of modern-day slavery. Workers themselves are the best monitors. Accurate information can often only be gathered by interviewing workers off-site and away from management, where workers feel comfortable to express concerns. The most replicable model – one that is under-utilised – is one where workers are organised into a functioning union with access to

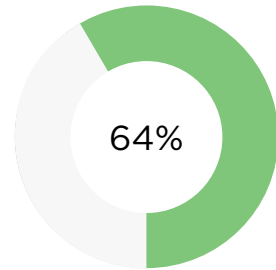
a safe and effective grievance process. While audits can be a key element of ensuring compliance, they are only effective when the information gathered is used to improve working conditions. Audits can form the basis of corrective action plans, which suppliers can use to correct issues. Many suppliers lack the capacity or knowledge to provide certain protections to workers, which is why training programs can be an important tool.

AUDITING SUPPLIERS

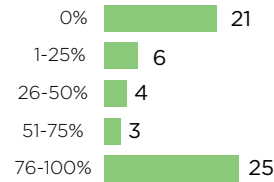
% of companies that monitor more than 75% of suppliers, by supply chain level:



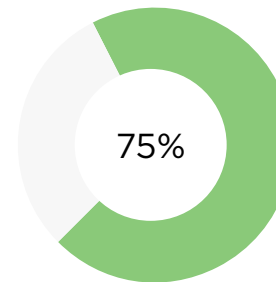
% of all companies assessed that use internal audits (CMT)



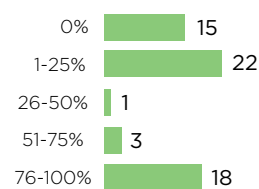
of companies that use internal monitoring, broken down by % of suppliers monitored with this system



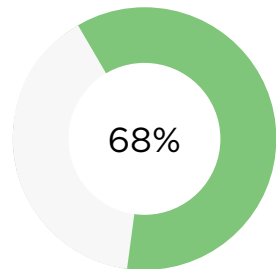
% of companies that use third party monitoring (CMT)



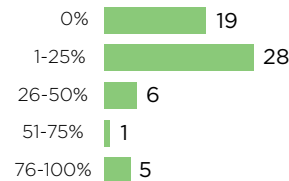
of companies that use third party monitoring, broken down by % of suppliers monitored with this system



% of companies that audit suppliers unannounced or with off-site worker interviews (CMT)



of companies that use unannounced visits or off-site interviews, broken down by % of suppliers monitored in this fashion



INTERNAL SYSTEMS

Among the companies we assessed, 64% use their own internally developed monitoring system to audit at least a portion of their supply chains. These systems vary in quality and are not necessarily better or worse than third party audits.

THIRD PARTY SYSTEMS

A full 75% of companies have elected to contract with a third party auditor to monitor at least a portion of their supply chains. Some of these also use some internal auditing, and some do not. Third party monitoring systems, like internal ones, differ significantly in quality.

QUALITY OF AUDIT

Unannounced audits provide a more accurate picture of day-to-day operations because abuses cannot be as easily hidden without advanced warning. Workers are best able to express concerns when interviewed off-site, away from management. Only 10% of companies assessed report using unannounced visits and/or offsite interviews for the majority of their audits.

Monitoring & Training | Good Practice Highlights

The following are more detailed snapshots of two companies' good practices in monitoring and training:

Monitoring Good Practice:

HANESBRANDS INC.

(Brands: Bali Bras, Barely There, Champion, Hanes, L'eggs, Maidenform, Playtex, Wonderbra)

Having an effective monitoring system in place is essential for companies to work with their suppliers to ensure they are complying with labour standards that ensure the rights of workers. Having invested in monitoring programs for nearly 20 years, Hanesbrands has demonstrated a strong commitment to managing a worldwide supply chain focused on social compliance.

Each facility producing for the company is audited two to three times a year by a combination of internationally recognised external auditing firms - Hanesbrands regional internal auditors, the Fair Labor Association (FLA) and/or the Worldwide Responsible Accredited Production (WRAP) program. This level of monitoring means that 100 per cent of all Hanesbrands' cut-make-trim suppliers are monitored annually, as well as a significant percentage of inputs' suppliers as Hanesbrands is working with the FLA to monitor textile mills from which they are sourcing. These independent monitors conduct their audits unannounced and include off-site worker interviews, which ensures accurate and worker-centred information is gathered. Hanesbrands uses monitoring results to inform their compliance program and to drive continuous improvement amongst their suppliers.

Monitoring & Training Good Practice:

H&M

In collaboration with the Ethical Trading Initiative (ETI) H&M has committed to commence training programs to promote an end to Sumangali schemes in Indian fabric mills. They have stated that these schemes that target young girls and women are "an absolutely unacceptable form of forced labour". However, as these schemes occur at the inputs stage of production, where most companies have little direct contractual influence, H&M recognises that there are significant monitoring challenges. For this reason H&M is also progressing to extend its influence over its second tier of suppliers, allowing it to exclude non-compliant mills from the supply chain if necessary.

In choosing to participate in this multi-stakeholder project run by the ETI, H&M aims to improve worker-management dialogue starting with five mills in 2014 and extending to 15 mills in 2015. This three-year program aims to catalyse positive change within the industry through activities that empower young female workers, strengthen industrial relations, build community awareness and support legislative reform. It is estimated that this will have a direct positive impact on 45,000 young women, with thousands indirectly benefiting as well.

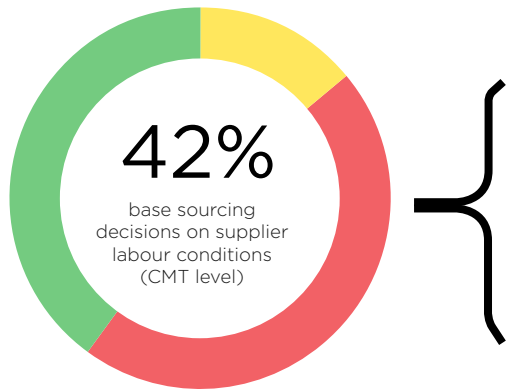
6 State of the Industry:

WORKER RIGHTS

This chapter focuses on the degree to which companies support worker rights.

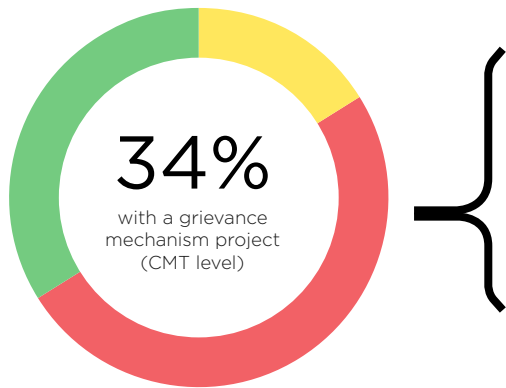
Worker Rights | State of the Industry: Overview

Most workers in apparel supply chains toil under poor conditions and are paid extremely low wages. We look at whether companies are actively addressing worker well-being. Risks of modern-day slavery are far lower in workplaces where individuals are able to claim their rights at work through organising, and where companies actively work to ensure the wellbeing of their workers through the payment of a living wage



PREFERRED SUPPLIER PROGRAMS

Companies have the financial leverage to demand and ensure decent working conditions, living wages and implementation of labour rights, in particular by concentrating their order volumes in a sufficiently narrow set of suppliers in order to command a significant portion of a supplier's product capacity. While most companies assessed do not make compliance with social standards a priority in picking suppliers, 42% report basing sourcing decisions on labour conditions.



GRIEVANCE MECHANISMS

Grievance mechanisms are systems through which workers can anonymously submit complaints of violations of their rights and seek relief. While many companies ask their suppliers to establish internal grievance mechanisms, it is important that workers are given an avenue through which they can communicate to an external party, since the supplier may be directly responsible for the abuse. Among the companies assessed, 49% have made some form of external grievance mechanism available to at least a portion of their supply chain.

Worker Rights | Company Performance

See which companies performed the best and which companies have neglected supporting the rights of their supply chain workers. Most companies own multiple brands; see index for full brand breakdown.

KEY: ■ yes ■ partial ■ no

Total Grade: A B C D F

* = non responsive companies

Worker Rights



Worker Rights Grade:

Worker Rights | Good Practice Highlights

The following are more detailed snapshots of three companies' good practices in the worker rights category:

Wage Good Practice:

COUNTRY ROAD GROUP

(Country Road, Mimco, Trenery, Witchery),

SUSSAN GROUP

(Sportsgirl, Sussan, Suzanne Grae)

Prominent Australian female apparel brand owners, Country Road Group and the Sussan Group, both pay their manufacturing workers in China approximately 150% above the legal minimum wage - a good step towards paying a living wage. This process could be improved if the companies were to invest in a basic need analysis, investigating what would constitute a living wage in the areas they are working and attempting a formal calculation. This would complement the steps they have already taken to increase wages, allowing workers to earn enough to meet their basic living needs and make sure they are not forced to work excessive overtime in order to support themselves and their families. While both companies have not yet extended their commitment to a living wage to other areas of their supply chain such as textile mills, this is still a positive first step in ensuring all workers are paid adequately.

Cue Clothing and R.M. Williams also deserve recognition for sourcing their Ethical Clothing Australia accredited lines of apparel from facilities and homeworkers in Australia who receive a living wage. Inditex (owners of Zara) and H&M are also paying wages above the legal minimum in a number of their cut-make-trim facilities in Europe.

Freedom of Association Good Practice:

ADIDAS, NEW BALANCE, NIKE, PUMA

With over four million clothing and footwear factories in Indonesia, the country is a global hub for final stage apparel production. The Freedom of Association (FOA) Protocol aims to support the rights of workers producing for global brands in Indonesia, empowering them to join unions and bargain collectively for their rights. This historic protocol was signed by Indonesian trade unions, employers and major multinational sportswear companies to make way for collaborative, meaningful action. The protocol is legally binding and is unique in that it allows global brands to negotiate directly with trade unions. The FOA protocol gives companies a practical set of guidelines on how to uphold and respect the rights of workers to join together to achieve decent pay and better working conditions.

Since the protocols conception in 2011, these sportswear companies have informed all suppliers of the protocols obligations and made quarterly updates to the National Protocol Committee about progress in regards to protocol implementation, reporting of collective bargaining agreements and union engagement. This innovative joint commitment to uphold the right to freedom of association is an excellent example of transparency and accountability between workers, suppliers and brands.

Index | Rating Scopes

Most ratings apply to multiple brands owned by the same company. See the scope of each rating below:

3 FISH 3 Fish	COTTON ON GROUP Cotton On, Cotton On Body, Factorie, Rubi	FRUIT OF THE LOOM Brooks, Fruit of the Loom, Russell Athletic, Spalding	Just Jeans, Peter Alexander, Portmans, Smiggle	Dunlopillo, Holeproof Explorer, Jockey, Razzmatazz, Sheridan, Tontine, Voodoo	Stockyard RREPP Rrepp	Lee, Rustler, The North Face, Vans, Wrangler
ABERCROMBIE AND FITCH Abercrombie and Fitch, Abercrombie Kids, Gilly Hicks, Hollister	Shoes, Supre, T-bar by Cotton On, Typo	FUSION RETAIL BRANDS Colorado, Diana Ferrari, Mathers, Williams	KATHMANDU Kathmandu	PATAGONIA Patagonia	SIMON DE WINTER Darn Tough, Simon de Winter	VOYAGER DISTRIBUTING CO Anthea Crawford, Jump, Kachel, Thurley
ADIDAS GROUP Adidas, Ashworth, Reebok, Rockport, Taylor Made	COUNTRY ROAD GROUP Country Road, Mimco, Trenery, Witchery	GAP INC. Athleta, Banana Republic, Gap, Intermix, Old Navy	KMART Kmart	PLAYCORP A League, AFL, Aquasport, Blueprint, Boomdoggers, French Kitty, Globalocal, Hi There by Karen Walker, Itsu, Jimmi Jams, Ladybird, Milly, NRL, Paperdolls, PlayCorp Apparel Purr, Wayne Cooper, Wiggles	SKECHERS USA Skechers	WEBSTER HOLDINGS David Lawrence, Jigsaw, Marcs
ALLY FASHION Ally	CUE CLOTHING CO Cue, Veronika Maine	GAZAL Bisley, Gazal, Midford	LEVI STRAUSS & CO. Dockers, Levi's	PRETTY GIRL FASHION GROUP BeMe, Rockmans, Table Eight, W. Lane	SPECIALTY FASHION GROUP Autograph, City Chic, Crossroads, Katies, Millers, Rivers	WOOLWORTHS AUSTRALIA Avella, Big W, Circuit, Emerson, Mambo, Nine&Mine, ONEactive by Michelle Bridges, Peter Morrissey, Wave Zone
APPAREL GROUP JAG, Saba, Sportscraft, Willow	DAVID JONES Agenda, Alta Linea, David Jones, Milana, St James, Triplite	GLASSONS Glassons	LIMINAL APPAREL Liminal Apparel	SUSSAN GROUP Sportsgirl, Sussan, Suzanne Grae	TARGET AUSTRALIA Free Fusion, Lily Loves, Moda, Molli & Mimi, T30, Target	
AUDREY BLUE Audrey Blue	ETIKO Etiko, Jinta, Pants to Poverty	HANESBRANDS INC. Bali Bras, Barely There, Champion, Hanes, L'eggs, Maidenform, Playtex, Wonderbra	LOWES Beare & Ley, Lowes	THE PAS GROUP LTD Blackpepper, Breakaway, Equus, Marco Polo, Metalicus, Review, Yarra Trail, Yvonne Black		
BEST & LESS Best & Less	FAST FUTURE BRANDS Mirrou, Temt, Valleygirl	H&M H&M	LULULEMON ATHLETICA Lululemon	TIMBERLAND Timberland		
BILLABONG Billabong, Element, Kustom, Palmers Surf, RVCA, Tigerlily, Von Zipper, Xcel	FOREVER NEW Forever New	INDITEX Zara	MYER Basque, Blaq, Charlie Brown, Milkshake, Miss Shop, Myer, Piper, Regatta, Reserve, Sass & Bide, Tokito	UNIQLO Uniqlo		
COLES Coles , Mix Apparel		INDUSTRIE Indie Kids by Industrie, Industrie	NEW BALANCE New Balance	VF CORPORATION 7 For All Mankind, Eagle Creek, Ella Moss, JanSport, Lee, Majestic, Nautica, Riders by		
		JEANSWEST Jeanswest	NIKE Converse, Hurley, Nike			
		JUST GROUP Dotti, Jacqui E, Jay Jays,	OROTON GROUP Brooks Brothers, Oroton			
			PACIFIC BRANDS Berlei, Bonds,			

Thank You | Contributors

We would like to thank our team of volunteers who contributed many hours of research for this project over the last 18 months:

- Carl Johnston
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SALE**

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Finally, thank you for your interest in bringing an end to worker exploitation!

Go to:

www.behindthebarcode.org.au
to download our Ethical Fashion Guide, empowering you to make every day ethical purchasing decisions.

