Transforming Sweatshops Begins with Sourcing
Best Practices in Apparel Purchasing

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Patricia Jurewicz, As You Sow

“Thoughtful companies will find ways to identify and measure the negative impacts of their purchasing practices on factory workers and take steps to mitigate them over time.”

-- Doug Cahn, principal of The Cahn Group, LLC, was VP of Human Rights Programs at Reebok Int’l for 15 years.
2. SWOT Analysis of Purchasing

3. Tools and Systems

4. Pricing and Wages

5. Conclusion

Background & Research

- Socially Responsible Investment (SRI) Community Interest
- Working group coordinated through ICCR
  - (Interfaith Center on Corporate Responsibility)
- Existing Reports (22), Industry Expert Interviews (17), Corporate Interviews (8)
- 2007 and Q1-2008
- Issue Report Summer 2008 and Educate the industry through Shareholder Dialogues
Background & Research

Evolution in the transformation of sweatshops

- Transparency
  - COC
  - Auditing
  - Reporting
  - Training
- Systems
  - Vendor Scorecard
    - KPIs
    - Project K
    - Industry Frmwk Agrmts
- Problem Solving
  - Prfrd Suppliers
  - Root Cause Analysis
  - Beyond Monitoring
  - Purch Practices

Are Things Getting Better?

Change in Compliance Rating Inspections

<table>
<thead>
<tr>
<th>Change in CR Rating</th>
<th>Freq.</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3 (Down by 3 degrees)</td>
<td>20</td>
<td>2.62</td>
</tr>
<tr>
<td>-2 (Down by 2 degrees)</td>
<td>74</td>
<td>9.70</td>
</tr>
<tr>
<td>-1 (Down by 1 degree)</td>
<td>181</td>
<td>23.72</td>
</tr>
<tr>
<td>0 (No change)</td>
<td>323</td>
<td>42.33</td>
</tr>
<tr>
<td>1 (Up by 1 degree)</td>
<td>116</td>
<td>15.20</td>
</tr>
<tr>
<td>2 (Up by 2 degrees)</td>
<td>42</td>
<td>5.50</td>
</tr>
<tr>
<td>3 (Up by 3 degrees)</td>
<td>7</td>
<td>0.92</td>
</tr>
<tr>
<td>Total</td>
<td>763</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: A is 4, B is 3, C is 2, and D is 1, and the change in CR rating is the score in the most recent audit minus the score from the earliest audit, ranging from -3 to 3. For example, if a factory has a score C in the earliest audit and a score A in the most recent audit, then it has a change of +2.

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SWOT Analysis of Purchasing

- **Strengths**
  - Data collection/hindsight
  - Creating relationship between buyers and factory workers
  - Continuous improvement model

- **Weaknesses**
  - Good at finding the problems but harder to find the solutions
  - Compliance doesn’t know purchasing and vice versa
  - Difficult to capture all of the true costs of poor purchasing
  - Lack of transparency

- **Opportunities**
  - Cross functional integration
  - Total Cost Management
  - ROI from stronger HRM systems

- **Threats**
  - Double/triple books software/falsification
  - Reverse auctions
  - Retailer pressure/chargebacks

Background & Research

- **Root Causes in Poor Purchasing**
  - Delay of information
    - POs, approvals, size/color breakdowns, etc.
  - Changes vs. Flexibility
  - Over/inappropriate capacity
  - Price – allows for good working conditions?

- **Best Practices**
  - Focus on Brand Control
    - Designers, Buyers, Planners, Production Mgmt.
  - Systems and Tools
  - Pilot Projects
  - Industry Scale up
### Tools and Systems

<table>
<thead>
<tr>
<th>Designing &amp; Purchasing</th>
<th>Production Management</th>
<th>Vendor Incentives</th>
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</thead>
<tbody>
<tr>
<td>Buyer Incentives</td>
<td>PLM tool</td>
<td>Scorecard</td>
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<tr>
<td>Buyer Alignment</td>
<td>Data tracking</td>
<td>Preferred Status</td>
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<tr>
<td>Placement</td>
<td>Cost b/d</td>
<td>Status</td>
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<td>Tech Rvw</td>
<td>Correlation analysis</td>
<td>Upcharges</td>
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<td>Forecasting</td>
<td>Transparency</td>
<td>HRM</td>
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<td>Cross-funct'l leadership</td>
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<td>Critical Path Mgmt</td>
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<td>Drop-dead dates</td>
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<td>Transparency</td>
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<td>Solidarity links</td>
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<tr>
<td>Transparency</td>
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</tbody>
</table>

### Pricing & Wages

- ABC Costing – Sustainable Costing
- Design into pre-purchased fabric
  - (also reduces cycle time)
- Contractual commitment for min paid
  - (even if not produced)
- Higher wage = experienced sewers, spectacular quality, good talent, capability, low turnover
- Total Cost Management
Total Cost Management

Conclusion

- Transparency is key – Use data to track problems and breakdowns
- Correlation analysis
- Push efficiencies and hard deadlines upstream – prove worth of a change…
- And downstream – management training (push back, critical path, HRM, empowerment)
- Measure and reward for desirable outcomes
- Genuine and total costs
Thank You - 謝謝

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