

# NEXT

27<sup>th</sup> July 2007

Dear Martin,

Re: Lets Clean Up Fashion 2007

Thank you for your email dated 24<sup>th</sup> May requesting an update for your lets clean up fashion report, to which I would like to reply as follows:-

## **Living Wage & Freedom of Association**

For the purpose of this update, we would like to answer these 2 points together, as the two are intrinsically linked.

We stated last year that achieving compliance to the living wage is one of our biggest challenges, Freedom of Association being another, and we accept the need for deeper commitments and understanding of these areas.

Since last years report, we have started to work on these challenges.

As a step towards understanding and defining the living wage in different countries and regions we have initiated a series of country studies of the living wage in our key sourcing regions. We are undertaking these studies with our teams focusing on local regions, with reference to external bodies and experts and local research. Once we have completed these studies our team will have a better understanding of how this compares to local minimum wages and existing living wage studies. With this exercise and information, we as a business will be better equipped to look at the broader picture of implementing this requirement. Our country studies are the first steps towards this.

In addition we recognize the link between freedom of association and a living wage, through effective collective bargaining. We have scheduled freedom of association training for our global team in the autumn initially to further understand the working mechanisms of mature industrial relations systems and how to nurture these in our sourcing countries. This training will enable our team to begin to tackle this sensitive issue in country providing training to suppliers and building links between local unions and our supply base.

We firmly believe that the better our understanding of the complexities of these 2 challenges the greater the opportunities we'll have to drive through real and sustainable change. A review on the outcome of these objectives will take place at our global team meeting in October 2007 when next steps will be defined to ensure meaningful and structures progress. We also continue to work actively with the ETI and fellow retailers in addressing these issues.

## Monitoring & Verification

During the course of the last 12 months our global team has increased in numbers and now totals 31. We made the decision to specifically increase the number of 'on the ground' auditors for 2 reasons. Firstly, to increase the number of audits we are able to carry out and also to allow our regional managers more time to focus on capacity building activities and project work.

We still believe that managing the audit process ourselves is the most effective way of driving and achieving compliance. It allows us to support our factories in a partnership, building trust and long term change. A focus for us continues to be worker interviews, whilst these are a standard part of the audit process we continue to look at different and more effective ways to incorporate into our model. We are doing this through building relationships with NGO's and inviting them to take part in or conduct interviews on our behalf, strengthening local networks and contacts to use for local community interaction.

In January 2007 we launched our revised Code of Practice, which is now aligned to the ETI base Code. We have recognised the need to take a more practical approach in tackling some of the more difficult challenges and offer greater support to factories. We have worked on this in various ways, hosting supplier conferences and training, providing in-house training to our product teams, joining the ETI purchasing practices group, rolling out our overtime reduction project and working actively on child remediation in China.

We also have in place a new database, which is currently being rolled out regionally and will be fully live by September 2007. This will allow each regional team to input directly onto the system, providing live information for the business, and accurate supply base information.

We look forward to seeing you on August 17<sup>th</sup> and to having the opportunity then to answer any queries or further questions you might have on our Code of Practice Programme.

Yours sincerely



**Pam Batty**  
**Global Code of Practice Manager**

CC: Bernice Leppard  
Meriel Hoban