

## Playfair 2008



22 October 2008

To whom it may concern,

**Re: Proposals and targets discussed at 30 June – 2 July 2008 Hong Kong conference**

We are writing to follow up on the preliminary discussions at the 30 June – 2 July Play Fair 2008-sponsored meeting in Hong Kong on concrete steps sportswear companies should take to meet specific targets on four key systemic problems that are blocking progress on dealing with persistent labour rights violations.

Those initial discussions amongst trade union and non-governmental organizations, sportswear brands and multi-stakeholder initiatives helped us to identify opportunities for collaborative action on a number of issues.

We understand that some of these opportunities may be pursued first at a national level in Indonesia as a way of field-testing the steps we set out in our *Clearing the Hurdles* report as well as proposals for sector-wide solutions in Indonesia published earlier this year by Oxfam Australia and the Clean Clothes Campaign.

However, discussions about further action at an international level – specifically focused on more system-wide problems with addressing freedom of association and collective bargaining in the sector – were rejected by the World Federation of Sporting Goods Industries (WFSGI) on behalf of the companies that participated in their recent CSR Committee meeting in Germany. WFSGI President Robbert de Kock wrote that “We don’t see the value in a few representatives coming to discuss policies that vary brand by brand.”

We believe this rejection leaves a number of holes in the strategy to tackle the four hurdles addressed in our report (freedom of association and collective bargaining, precarious



employment, living wages and industry restructuring/closures). Some of these matters are ones that could best be addressed by collaborative action involving, variously, buyers, suppliers, trade unions, governments and NGOs.

Therefore, we still see sector-wide collaboration on key issues as an essential step in ensuring that labour standards compliance is not seen as a competitive disadvantage for individual companies, and hope to see collective responses to some of the proposals we put forward. However, we do recognize that there may be differences in the way the major sportswear buyers want to approach some of these issues. You should therefore be willing to outline – as individual companies – where your company stands on the issues and what concrete steps your individual

brands will undertake to address the hurdles we identified in our report. From there we may be able to identify further opportunities for collaboration as well as ensuring that each company takes responsibility for actions within its own supply chain.

Since it was not possible within the format of the Hong Kong meeting to discuss each company's response to the proposals and targets, we therefore request that your company review those proposals presented below and provide us with as much detail as possible on the steps you are willing to take and targets you are willing and able to meet to overcome the hurdles described in our report.

A full chart of the proposals and time-bound targets is contained in our *Clearing the Hurdles* report. For ease of use, we are presenting the proposals here in a format which clearly identifies sets of proposals that can be addressed at various levels by each individual brand – for which we ask that you take the necessary steps to implement within your own company – and some that may require a collaborative effort – for which we ask that you identify your willingness to collaborate with other companies or multi-stakeholder initiatives in addressing these specific proposals. For reference purposes, each proposal is identified here by its number in the original *Clearing the Hurdles* report (e.g. A1 to D10).

Undoubtedly you have already spent some time reviewing these proposals in preparation for the Hong Kong meeting, so we trust it will not take overly long to address them in writing. We hope to hear back from you before 8 December 2008.



If you have any questions regarding this process, please contact Kevin Thomas at the Maquila Solidarity Network ([kthomas@maquilasolidarity.org](mailto:kthomas@maquilasolidarity.org)). Please submit your response letter to this address as well.

Once all the responses are received, we will be summarizing the responses for the Play Fair campaign website. Following that, we will be in touch to discuss ways and means of taking further action to implement these steps. Obviously any failure to respond to this survey will be addressed in our public communications.

Thank you in advance for your cooperation.

We look forward to discussing further you plans to address these critically important issues.

Yours truly,

Sportswear Working Group,  
Play Fair 2008

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General Secretary  
International Trade Union Confederation

Ineke Zeldenrust  
Clean Clothes Campaign

Neil Kearney  
General Secretary  
International Textile, Garment and Leather.  
Workers' Federation (ITGLWF)

Lynda Yanz  
Executive Director  
Maquila Solidarity Network



## 1. Reporting measures

Please indicate whether your company will be willing to report publicly (on your website, in annual reports, or through other publicly available means) on the following matters:

A6. the presence of unions and collective bargaining agreements within your supply chain, including both the number of factories with unions and collective bargaining agreements and the percentage of total production in such factories.

A7. the percentage of your company's production in countries and/or zones where freedom of association and collective bargaining are legally restricted.

C2. the percentage of your company's production in each country in which your goods are manufactured.

C3. the average length of relationship with your supply factories, as well as more detailed statistics on the number of factories with which the company has worked for various incremental number of years (e.g. 1, 3, 5, or more years) and where they are located.

C4. your company's policies for supplier/vendor selection, management, and/or termination, including new source approval process, linking of supplier CSR performance with sourcing decisions, and strategy for managing impact of exiting factories.

Please also indicate when and in what form this reporting will be made available.

As we are implementing factory audit for targeted factories, we can announce limited numeric data for the presence of unions and collective bargaining agreements within our supply chain. However, we think the data we collect is reaching to satisfactory amount, we are regarding publishing the data favourably. We strongly support the Freedom of Association in every supplier and we have put our best effort to strengthen labor-employer relationship in the suppliers in any forms of organization including union, joint consultation committee, employee committee, and welfare committee.

According to the report from Fair Labor Association where we are one of the participant company, China and Vietnam are nearly legally restricted the freedom of association and collective bargaining. We are able to submit the percentage based on this report. The percentage of our production in each country can open



to you. The average length of relationship and details statistics could be provided. We have policy for supplier/vender selection and procedure for starting business. The termination policy and procedure does not exist. At this moment, data collection is not yet completed. We haven't sufficient figures to show. There is new source investigation flow chart to see whether the factory complies with the law and our code of conduct. The investigation result is discussed at the decision making of new sourcing. After decision is made, CSR team discussed the date for initial audit to factory. Based on the compliance status, the factory visit will be scheduled at once or after a certain period of time. As a general rule, Asics conducts initial audit by internal auditor and start non-compliance remediation plan.

Director and general manager of business unit make the termination decision for existing factories for case-by-case. The prerequisite conditions for termination are various; the length of relationship, changes of business environment, changing business strategy to Asics, delivery, product quality, etc. Asics thinks it is not effective to prepare the termination policy and procedure of factories. We have not a special strategy for managing impact of existing factories.

When we leave the factory for instance, we dare not immediate pullout. We try to leave factory smoothly but not to exacerbate factory's economic position to an extreme degree. Asics brings complete pullout into view for 1 to 2 seasons by keeping reducing the order progressively

We inform factory in advance before leaving so that they can have time to look for new clients.

## 2. Policy development

Please indicate whether your company will adopt new policies across your supply chain regarding the following matters, and where applicable, a time-frame for delivery.

A1. In order to develop a positive climate of non-interference with freedom of association and collective bargaining within sportswear supply chains, require all suppliers to proactively adopt a "Freedom of Association Policy" and communicate this policy to workers in their own languages in the form of a 'Right to Organize Guarantee'. Audit to ensure the policy has been adopted and communicated to workers.



B4. Incorporate a clause in the Code of Conduct prohibiting labour-only contracting arrangements or false apprenticeship schemes intended to avoid fulfilling obligations to workers.

B5. Produce guidelines on precarious employment, and incorporate key requirements into Compliance Benchmarks.

C1. Develop and adopt formal policies and procedures to give effect to the MFA Forum's Collaborative Framework, including all of the steps outlined in the MFA Forum's *Guidelines for Managing Responsible Transitions*, and communicate these policies publicly.

D1. Incorporate a living wage standard in your Code of Conduct.

It is acceptable to require all suppliers to proactively adopt a “Freedom of Association Policy”. We are discussing to insert the card describing “ Freedom of Association Policy” on the back of their ID card case to enhance awareness of workers’ rights instead of the form of a ‘Right to Organize Guarantee’. We agreed with factories that our contracted auditors can freely communicate with workers to see the “Freedom of Association”.

Implementing audit, especially when internal auditor conducted, we check whether they have trade union in the facility. We conduct the management and trade union interview and review the records for trade union organization chart, number of members, workers grievance records and reaction done by trade union and/or factory management, welfare activity, fair election record by workers, etc. Asics reviews the factory policy of Freedom of Association and Right of collective bargaining and training record for workers awareness. We see the value of organization as a way of workers grievance channel and complaints procedures. Asics recommends factory to support the activity of trade union or strengthen labor-employer relationship in any forms of organization including trade union, joint consultation committee, employee committee, and welfare committee.

Asics requires factory to comply with the local law to protect precarious worker, so we do not have an idea to add the proposed clauses into Asics code of conduct. Asics thinks it is necessary to produce detail guideline for suppliers to require the compliance of the local law. In the future, Asics would like to develop and adopt the policies and procedures to support the MFA Forum’s Collaborative Framework, however, at this moment, we have no time and no workforce to handle this as we are focusing and making our best effort to establish the effective and creditable supply chain management system.

Asics recognize the importance of incorporating a living wage standard in our code of conduct. Before we put it into practice, we think the definition of a living wage should be clarified. The definition decision shall be defined after getting consensus among the stakeholders. Union's claim for a living wage is a main theme of trade union activities in the modern age. Labor trouble with this regard has a long history. The turning point of resolving the labor trouble has started from agreement of a living wage definition for both of parties. The recognition for a living wage standard is increasing among World Federation of the Sporting Goods Industry (WFSGI), Play Fair Olympics Campaign (PFOC) and a major suppliers. We expect a constructive conversation regarding a definition of a living wage will be carried in the future. It is declared at International Labour Organization (ILO) that requires the discussion for marinating appropriate living standard between labor-employee related organizations. Since the phrase of an "appropriate living standard" is quite ambiguous, it might be obstacle for negotiation between labor-employee talks. However, we believe both of the parties should keep the attitude of constructive conversation to make their best effort to reach to the agreement which both of them satisfies. Since, company hires many workers and has responsibility to assure their life security, company will not agree on excess definition for a living wage. The achievement for big goal of payable living wage to worker will discourage company if labor organization doesn't show a generous understanding for business management. The combative appearance with claiming one's own opinion is not constructive approach. It is important and core matter to keep moderate attitude based on harmonization approach. The approach trying to resolve the problem in the short time will set up disaffectedness and distrustfulness for both parties. Both of labor-employer organizations are requested to convert of a way of thinking and theory.

### 3. Study/measurement

Please indicate whether your company will engage in research – either individually or in a multi-stakeholder environment – regarding the following matters, and where applicable, in what time frame:

A3. Develop means of measuring impacts of management and worker training programs, and develop quantitative and transparent reporting on those results.

D3. Undertake an independent review of prices paid to suppliers in supplier factories to determine whether prices paid to suppliers are sufficient to allow compliance with



international labour standards and provide for an expected wage for workers that meets workers' basic needs.

D5. Work with trade unions, suppliers and NGOs to develop a wage ladder, including a living wage figure for workers in each country or region.

D8. Commission one or more independent studies of lean production methods and whether they reliably deliver increases in wages to workers by increasing the efficiency of production lines without increasing the pace, hours or physical exertion expected of workers.

We do not develop yet means of measuring impacts of management and worker training programs, and no quantitative reporting results. However, management and worker training programs have started for several factories recently. Part of our suppliers where are trade union, joint consultation committee, employee committee and welfare committee, are working positively to assist workers activities. They are raising awareness of Freedom of Association rights and providing information of worker organization activity through training and/or using brochures. And also, they are making an effort to establish a forum for dialogue with workers and management. However, we dare not say the workers organizations are improving and developing the labor relationship at present. For example, it is very rare case but Asics receives direct complaints from factory worker through direct grievance channel even the factory is raising awareness of workers rights and establishing grievance channel. On the contrary, the factory where appears extra-solicitous with workers welfare, workers are cheerful and working free and unconstrained even there are no trade union.

Asics started management-training project. The aim of new training project is that the grievance channel should work through production site including trade union, and achieve factory environment to be trusted and workers can rely on factory management. Asics attempts several approach to factory. For example, the communication skill program to factory management and supervisors to promote for smoother communication with workers, Facilitating dialogue among factory management, workers and trade union representatives regarding human resource issues from hiring to termination including work operation and life in the factory. During this session, we expect the related people think about by him or her and find solution by themselves, not imposed solution by Asics.

Asics implements an off-site interview to workers to hear their complaints, grievance and opinions regarding factory life after giving understanding of non-retaliation to interviewee. The interview report is shared with factory and discusses how to improve the working conditions.

Through these activities sitting in worker's chair, Asics is trying to make a much wider audience aware of the value of worker organization such as factory management, worker and workers representatives and to promoting the workers activity in a long-term approach.

Factory auditing team gives investigation report and advice to sourcing team about minimum wage compliance practice of suppliers. According to audit report, the sourcing team negotiates with factory and decides the prices paid to suppliers. We decide costs from the ground up, therefore the slight increase of cost price heavily affect our sales price. As we placed a wide variety of high-tech products on the market, the sales price is higher compared to other brands. To put it the other way around, since we do not decide sales price from the cost, we do not demand factory too much for price decrease. That is we see there are less concern that factory will take a toll on the workers such as "Holding up a pay raise or a lump-sum payment", "Outsourcing arrangement or give out a subcontractor" and/or "Increasing short-term employers". Asics sends production control and quality control staff as the local based officer. They make all kinds of efforts and improvement of production line to support factory currently suffering from escalating crude oil prices and raw materials.

Factory is independent firm and they decide the wage from their viewpoint of factory management. We do not pay directly to workers. Factory has a number of clients and we are just one of them. We think even they have various clients, their worker should be paid the same amount of payment if they work the same thing. It becomes common sense to assume that pricing is basically the negotiation issue between supplier and buyer. We do not organize any talks about wage standard including NGOs yet. Asics requests factory pay employees at least a) the minimum wage required by the applicable law or b) the prevailing industry wage, whichever is higher. In addition, we implement verification audit to factories. In case of the intervention by Commission for Industrial Relations will lead the evaluation that the factory management is lack of capability of management. We expect the wages talks should be reach to agreement in a sound collective bargaining from developed and harmonized labor relationship.

Department of design, engineering, production and quality control of Asics hold continuous discussion and making effort with workplace management, supervisor and/or workers to find out the resolution for effective production or less defective production.

#### 4. Factory Monitoring

Please indicate whether your company will monitor supply factories and/or establish its own procedures to ensure that:

A4. Workers have accessible and safe means by which they can file complaints about violations of freedom of association and collective bargaining rights to buyers, with a transparent process for resolving credible complaints.

A11. Where trade unions are not restricted by law but non-union forms of worker representation are permissible, such forms of workplace representation conform with the principles of worker representation as laid down in ILO Convention 135.

B1. Suppliers enter into formal employment contracts with workers and ensure workers receive a formal appointment letter setting out the terms of their contract.

B2. Any workers engaged in the company's core business are employed directly rather than through third-party employment schemes.

B3. Workers engaged in the company's core business are employed under open-ended or undetermined duration contracts, and that:

- Any use of fixed duration contracts is in response to a clearly defined plan justifying their use;
- Any workers on fixed duration contracts are provided the same salary and benefits accorded to permanent workers performing the same work;
- Once a short-term employee has been hired on a fixed duration contract twice by the same employer, or for two years, the employee is automatically hired on an undetermined duration contract with the third contract; and



- Where requirements are stronger under local law, the higher standard should prevail.

D9. Increases in production targets for workers are only adopted after significant upgrades to equipment, processes, or worker skills. Ensure that increases in wages are not answered with decreases in other monetary benefits.

Asics recognizes the value of direct grievance channel to brands, and have started establishing direct grievance channel for a part of factories. Asics started management-training project. The aim of new training project is that the grievance channel should work through production site including trade union, and achieve factory environment to be trusted and workers can rely on factory management. Asics attempts several approach to factory. For example, the communication skill program to factory management and supervisors to promote for smoother communication with workers, Facilitating dialogue among factory management, workers and trade union representatives regarding human resource issues from hiring to termination including work operation and life in the factory. During this session, we expect the related people think about by him or her and find solution by themselves, not imposed solution by Asics.

Asics implements an off-site interview to workers to hear their complaints, grievance and opinions regarding factory life after giving understanding of non-retaliation to interviewee. The interview report is shared with factory and discusses how to improve the working conditions.

Through these activities sitting in worker's chair, Asics is trying to make a much wider audience aware of the value of worker organization such as factory management, worker and workers representatives and to promoting the workers activity in a long-term approach.

Asics is a participant company of Fair Labor Association (FLA) and it helps and strengthens improvement of ethical standard in factories, for examples, we are moving forward through better cooperation with FLA to fill the gap of the grievance channel system. We have annual dialogue with Federation the International Textile, Leather and Garment Workers' Federation (ITGLWF) and TWARO who are the Asian and Pacific Regional Organization of ITGLWF. We share the information about our achievement at factories and discuss about improving working environments. In addition, we look toward a collaborative work with experienced and knowledgeable consultant regarding working environment and working conditions.

Understanding that relationship between management and workers are crucial for the successful business, we worked with a consultant to test a new approach (not another audit) to better understand what is really going on in the factory and how is the working environment. The consultant spent three days to facilitate

dialogue with different groups of people in the factory from top management to line workers and strongly encouraged participation of the union and all level of employees and middle management who work directly with workers. The report detailed the situation along the human resource lines so the factories and union can jointly work together to improve the working conditions and environment and their relationship. Problem-solving is quite common approach for Asics, however it is rather educational approach which is experienced-dependent and emotional-dependent operated by individual staff. It is not so systematic approach. We are afraid of giving confusion to factory due to non-systematic approach, so we will move to systematic approach with the help of consultant.

Asics respects the spirit of ILO Convention 135 in its activities.

Suppliers sign the employment contract with workers with indicating the section with assignment.

Therefore, worker does not receive an appointment letter solely.

There are some suppliers hiring workers through third-party such as local labor bureau like China.

A part of factories workers under open-ended duration contracts. Even if it is fixed duration contracts, the workers are receiving fair treatment. Auditing investigation does not reach to economic disparity between fixed duration contract workers and permanent workers. It is not clearly confirmed, however most of the local laws stipulate that the employee is automatically hired on an undetermined duration contract after working long term. Asics requires factory to adopt our standard if our standard is higher than local law.

Asics hasn't yet taken big step for capacity building.

## 5. Factory level actions

Please indicate whether your company will undertake efforts with your suppliers and trade unions at the factory level to:

A2. In collaboration with trade union organizations and credible labour rights NGOs, facilitate independent education and training for workers and management personnel concerning freedom of association and collective bargaining.

A9. Require the signing of access agreements between factory management and local unions at supply factories.

A10. Where trade unions are present or newly established at supply factories, facilitate the negotiation by the union and the employer of grievance procedures, as well as rules



and procedures for hiring, firing, promotion, discipline, union facilities at the workplace, and dispute handling.

A12. Where freedom of association and collective bargaining are restricted by law, take identifiable measures promoting genuine freedom of association within the country concerned, including engaging the workers collectively to facilitate their self-organization in ways that are consistent with the principles of freedom of association and respect for human rights.

D4. On a confidential basis, provide information regarding the unit price the buyer is paying for goods to workers' representatives engaged in collective bargaining with suppliers.

Asics have not yet started collaboration with trade union and/or NGOs, but we see it is valuable to organize education and training for workers and management, especially training to management. We do not require to sign of access agreements between factory management and local unions, but we ask and recommend factories to open a dialogue with trade union and workers. Asics believes that the management practice is the most pressing problem facing the factory, and requires create and establish the smooth grievance procedure with trade union and workers to solve the workers complaints. We think it is important to approach management, because some of the factory trade unions are becoming bureaucratize. Managements and Human Resources department are requested for fair play to workers. Promoting the freedom of association and respect for human rights are requested to factory according to Asics code of conduct. Factory is independent firm and they decide the wage from their viewpoint of factory management. We do not pay directly to workers. We expect the wages talks should be reach to agreement in a sound collective bargaining from developed and harmonized labor relationship and hope the local law stipulates an appropriate minimum wage. As a result, Asics hopes to develop and promote factories to have better understanding of working environments and working conditions includes Freedom of Association and grievance system.

## 6. Supplier relationships

Please indicate whether your company will adapt its own procedures for supplier selection and management to ensure that your company:



A5. Provide measurable incentives for factories that have a Collective Bargaining Agreement with an independent trade union, including:

- Preferential order placement;
- long-term, stable supply contracts; and
- a measurable CBA premium in unit prices.

B6. Establishes long-term, stable supply contracts with supply factories.

B7 and D2. Sets out payment schedules in all supply contracts and makes payments on time.

B8. Establishes an optimum notice time for factories about changes in existing orders or placement of orders so that the factory is able to adjust production accordingly without violating hours of work standards or requiring the use of short-term contracts and subcontracting. Apply optimum notice time for placement of orders and changes in existing orders.

D7. Across the supply chain, favours suppliers that consistently meet a higher standard on the wage ladder for the region.

We haven't provide incentives for factories whether they have trade union or not. Long-term and/or stable supply contracts are given based on the business aspect. ASICS selects and retains partner factories that follow business practices that are consistent with ASICS policies and values on the same principles as provided for in "ASICS Vision", "ASICS Philosophy" and "ASICS Code of Conduct". Asics continues business and establish long-term relationship with the partner who shares the same spirits as our founders required, "The person who participate in the Asics business under the philosophy of common destiny should act together." Payment schedules and on time payment is solely given on business aspect. The delivery schedule have a thorough discussion with factory to avoid any trouble. Asics comprehensively evaluates the factory advantage includes business conditions, product and service quality, employment conditions, environments. Grading priority of factories are rated in a comprehensive way; business conditions, product quality, worker condition, environment, etc., but Asics does not provide rewarding system for good factory.



## 7. Government policy

Please indicate whether your company is willing to advocate and/or support advocacy with national governments for:

A13. positive legal reforms of labour laws to remove legal restrictions on freedom of association and collective bargaining where these rights are restricted by law.

B9. positive legal reforms of labour laws in each country of supply to legally restrict the use of short-term contracts.

D10. increases in the minimum wage consistent with ILO Convention 131.

We support advocacy remove legal restrictions on freedom of association and collective bargaining. We strongly support the Freedom of Association in every supplier and we have put our best effort to strengthen labor-employer relationship in the suppliers in any forms of organization including union, joint consultation committee, employee committee, and welfare committee.

We support advocacy legally restrict the use of short-term contracts

We support advocacy increases in the minimum wage consistent with ILO Convention 131. We support a sensible minimum wage, and accept that regular increases in the rate are necessary to maintain the value and effectiveness of the measure for workers and will put our best effort to encourage to employers to make more effect use of labour rather than rely on pay.

## 8. Collaboration with other brand buyers

Please indicate whether your company is willing to commit to achieving a living wage in shared suppliers over time by:

- collaborating with other buyers (possibly through an MSI) to identify suppliers in which participating buyers collectively control more than 75% of production on a regular basis;
- facilitating the establishment of negotiating structures to enable factory management and trade union(s) to consolidate the living wage element into the existing pay structure at those factories;



- individually negotiating with factory management on measures needed to meet a living wage target proportional to each buyer's share in production.

All of the above proposals correspond to Proposal D6 in the *Clearing the Hurdles* report.

Asics recognize the necessity of achieving a living wage into wage system. To realize it, we think consensus-building toward the adoption of the clear definition of living wage is essential. Asics takes deep interest in discussion regarding a living wage. We make researches from our own point of view and actively participate the meeting. A living wage issue has a long history that is negotiated at the Asics labor bargaining continuously.

We are participating the meeting with PFOC where a living wage becomes one of key issue. The talks with industry group such as WFSGI and/or with suppliers, a living wage is coming one of the key issue to be discussed.