



APPENDIX A

Methodology

Thirty major apparel retailers and brand merchandisers were selected for inclusion in this year's Report Card, based on their relative market share by annual sales of apparel, and on their prominence in the Canadian market. We decided to include both retailers and brand merchandisers in our study because they face very similar labour rights issues in their supply chains where their private label and branded apparel products are made.²²

Our researchers gathered all available public documents for each company, including annual reports, SEDAR²³ filings, US Securities and Exchange Commission (SEC)²⁴ filings, corporate social responsibility reports, news releases, and web pages.

We then sifted through the data for each company looking for reporting in a set of 20 different categories. Once we had established a score for each company in each category, we sent each company an individual Report Card identifying the categories and indicators upon which companies were being evaluated, the weighting for each, the individual scores for the company in each category, and the company's overall

score. We also clearly identified the source material we used to arrive at each score and the elements that made it impossible to increase the score based on the available materials.

In October 2006, we invited each company to respond to our initial findings by supplying us with any additional public material which addressed the indicators being assessed, and to identify any other points we may have missed or misinterpreted. Eighteen companies responded by either publishing new materials or drawing our attention to other existing publications. We subsequently altered the final ratings in 22 instances.²⁵ One company, La Senza, was taken over by the US-based The Limited Brands shortly after we completed the ratings; therefore these ratings apply only to La Senza's prior public reporting and not to The Limited Brands.

Twenty categories were used in this year's research. Below, we discuss the changes in categories from last year.

See Part II of this report for a full description of each indicator and the weighting used for each category within each section. For further information on the indicators and categories used in last year's report, see www.maquilasolidarity.org/campaigns/reportcard/pdf/Report%20Card%20Methodology.pdf.

²² We also decided to exclude from our study retailer/manufacturers like American Apparel that have all their apparel products manufactured in their wholly owned factory, and therefore have not adopted policies and procedures to address supply chain labour rights issues. Gildan Activewear was also excluded from the study because it is solely a manufacturer.

²³ SEDAR (the System for Electronic Document Analysis and Retrieval) is the system used for electronically filing the disclosure documents of public companies and investment funds across Canada. Filing with SEDAR started January 1, 1997, and is now mandatory for most reporting issuers in Canada. The SEDAR system includes most of the documents which are legally required to be filed with the Canadian Securities Administrators and many documents which may be filed with the Canadian exchanges (market centres).

²⁴ The Securities and Exchange Commission is a US federal agency organized to regulate the securities industry and administrate the various federal securities laws. All companies, including Canadian companies, operating in the United States are required to file registration statements, periodic reports, and other forms electronically through EDGAR, the SEC filing database. Anyone can access and download this information for free.

²⁵ Materials provided by November 6, 2006 are included in our company assessments.

Revealing Clothing

Changes to indicators

This year's report amends three categories and adds one new category.

Category 2.3, which measures the breadth of application of a company's code of conduct, previously assessed whether the code applied to the company's own procurement – for example, for staff uniforms or other work items. We have narrowed this category to assess only whether the code applies to all or only part of a company's supply chain, as our study is focused only on production supply chain issues rather than a company's retail operations.

Category 3.2, which measures a company's engagement with outside stakeholders, now measures whether companies have formalized this relationship by signing a framework agreement with a Global Union.

Category 3.3 is new. It measures whether there are formal means by which workers and third parties can communicate with the retailer on problems in its supply chain. Because ETAG views worker participation in labour standards compliance as the key to sustainable solutions, we believe companies need to provide formal mechanisms for complaints, independent investigations, and corrective action.

The importance of worker involvement is further emphasized by assigning 40% of the score for section 3 to the company's rating in category 3.3. The remaining 60% of the section score is divided between 3.1 and 3.2.

Category 4.4 previously measured whether senior management and/or purchasing staff are rewarded for positive performance on labour standards in the supply chain. The new 4.4 instead measures the use of rewards and incentives for factories that meet or exceed labour standards. Is a factory's labour rights record a factor in sourcing decisions? Are factories which meet or exceed standards rewarded with increased orders, longer-term relationships, and/or higher prices?

All categories in section 4 are weighted equally in this year's report.

Lastly, in category 5.6 we now assess whether audit results are shared with workers at the supply factory in question. The indicators have been reworked to account for this new addition.

The rest of the categories have not been altered. For further discussion of our survey categories and indicators, please refer to the 2005 Transparency Report Card, which is available at: www.maquilasolidarity.org