Wal-Mart Warns Suppliers on Stricter Measures

ANNE D'INNOCENZIO, AP Retail Writer

BENTONVILLE, Arkansas (AP) — Wal-Mart Stores Inc. has alerted its global suppliers that it will immediately drop them if they subcontract their work to factories that haven't been authorized by the discounter.

Wal-Mart's stricter contracting rule, along with other changes to its policy, comes amid increasing calls for better safety oversight after a deadly fire at a Bangladesh factory that supplied clothing to Wal-Mart and other retailers. The fire in late November killed 112 workers at a factory owned by Tazreen Fashions Ltd. Wal-Mart has said the factory wasn't authorized to make its clothes.

In a letter sent Tuesday to suppliers of its Wal-Mart stores as well as Sam's Clubs in the U.S., Canada and the United Kingdom, the company says it will adopt a "zero tolerance" policy on subcontracting without the company's knowledge, effective March. 1. Previously, suppliers had three chances to rectify mistakes.

Wal-Mart also said it plans to publish on its corporate website a list of factories that haven't been authorized to manufacture goods for Wal-Mart.

Also, starting June 1, suppliers must have an employee stationed in countries where they subcontract to ensure compliance, rather than relying on third-party agents.

"We want the right accountability and ownership to be in the hands of the suppliers," said Rajan Kamalanathan, Wal-Mart's vice president of ethical sourcing, said in an interview with The Associated Press. "We are placing our orders in good faith."

Wal-Mart will hold a meeting for clothing suppliers from the U.S. and Canada on Thursday to explain the new policy changes.

Kamalanathan said Wal-Mart is looking to create a fund that factories can tap to improve safety, but that is still in discussion. But he also said local governments and other suppliers and retailers have to do their part in boosting factory safety.

Critics quickly dismissed Wal-Mart's moves as inadequate and said that the retailer needs to do more.

"It shows that Wal-Mart is feeling a great deal of pressure in the wake of public scrutiny," said Scott Nova, executive director at Workers' Rights Consortium, a labor-backed advocacy group. But he noted the company's response isn't adequate unless Wal-Mart and others pay their suppliers more so they can cover the costs of repairs.

"The upfront commitment from brands and retailers is essential if we are going to

see real change," Nova added.

Nova's group is one of several organizations trying to get retailers and brands to sign a first-of-its-kind contract that would govern fire-safety inspections at thousands of Bangladeshi factories making T-shirts, blazers, and other clothes Americans covet.

The contract would call for companies to publicly report fire hazards at factories, pay factory owners more to make repairs and provide at least $500,000 over two years for the effort. They would also sign a legally binding agreement that would make them liable when there's a factory fire.

PVH Corp., a New York City-based company that sells the Calvin Klein and Tommy Hilfiger brands, last March signed the agreement after a national TV news report that chronicled the dangerous conditions in one of its Bangladesh factories. But PVH pledged to start the program only if at least three other major retailers sign on. So far, only one has: A German coffee chain named Tchibo that also sells clothes. Nova said that his organization is in discussion with other retailers.

Wal-Mart says it has no plans to sign on to the contract. Brooke Buchanan, a Wal-Mart spokeswoman, says that the company can make a "positive impact on our global supply chain by both by raising our own standards and by partnering with other stakeholders to improve the standards for workers across the industry."

Nova also noted that Wal-Mart needs to disclose a list of all the suppliers it currently works with so they can be monitored by independent groups. It also needs to disclose the results of all its factory inspections.

Richard Locke, head of political science at MIT and an expert in global supply chains, said that Wal-Mart also needs to re-evaluate its purchasing practices so its demands are not putting excessive pressure on factories to cut corners on safety. It also needs to provide better technical assistant training for factories so they can run their businesses better.

Wal-Mart ranks second behind Swedish fast fashion retailer H&M in the number of clothing orders it places in Bangladesh. Before the fatal fire there, Wal-Mart had taken steps to address safety, such as mandating fire safety training for all levels of factory management.

Building fires have led to more than 600 garment work deaths in Bangladesh since 2005, according to research by the advocacy group International Labor Rights Forum.

Source URL (retrieved on *08/23/2014 - 10:20am*):
http://www.chem.info/news/2013/01/wal-mart-warns-suppliers-stricter-measures?qt-recent_content=0