

February 19, 2015

Dear signatories,

Thank you for your letter dated January 30, 2015, providing reactions to and recommendations for the FLA's Fair Compensation Work Plan. We appreciate the thoughtful analysis and time that was put into your response. As with all of the comments we have received from stakeholders, we have taken your feedback seriously. It has already influenced our Board discussion of the work plan and our plans for implementing it.

Two of the critical issues in your letter and in comments provided by others – both labor rights organizations and companies – are the timeline for realizing fair compensation and the consequences for companies that fail to make meaningful progress on complying with the FLA Code's amended wage provision.

The Fair Compensation Work Plan was discussed during the FLA's February 4, 2015 Board meeting in Washington, D.C. The FLA Board of Directors added an amendment to the work plan calling on the FLA to "1) take appropriate, meaningful actions, where reasonable, to implement the plan at an accelerated pace, and 2) make relevant accountability measures more concrete." The Board unanimously approved the amended work plan.

We look forward to strengthening both of these parts of the plan and already see opportunities to do so. Moving forward, the FLA will implement the work plan on a continuous "check and adjust approach," which can be used to accelerate action or make other changes. The plan identifies specific points at which a participating company's failure to make progress will trigger a "special review" of that company's status with the FLA. We are now working to clarify how this accountability mechanism will work. Moreover, the plan foresees independent reporting of the progress companies make in their commitment to progressively realize wages that cover workers' basic needs and provide some discretionary income, as required by our code of conduct.

A related issue raised in your letter – the need for study – was debated at the board meeting and discussed at a very helpful panel discussion that included representatives from AFL-CIO, ISEAL, Nestlé, Oxfam, Patagonia and the U.S. Dept. of State. We understand the urgent need to increase wages for workers in the global supply chain. Our goal is to establish a framework for scalable fair-compensation strategies that FLA participating companies can execute to ensure that workers are receiving improved wages. There are currently too few examples of such strategies. To achieve lasting change in how FLA participating companies plan for and act on their obligations to workers will require well-researched and well-argued case studies. While such studies are a critical step in the work plan, they will be carried out simultaneously with a number of actions that the plan entails. The plan's approach is intended to achieve change that reaches beyond quick fixes.

As a multi-stakeholder organization, the FLA examines the issue of fair compensation – and the policies and procedures required to achieve it – from multiple perspectives: those of suppliers and

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buyers, as well as workers and unions. To achieve sustainable and meaningful results, it is essential that we do this, but this does not alter the FLA's conviction that higher wages should drive changes in productivity and other factors, and not the other way around.

Several of your recommendations, including more emphasis on freedom of association and collective bargaining, have been included in the work plan approved by the board. Freedom of association and collective bargaining rights are fundamental to FLA standards, and many stakeholders have reiterated the importance of these rights throughout the consultation process. The work plan also supports sector-based bargaining between unions and suppliers, and the FLA is committed to the principle that meaningful, legitimate negotiations with workers themselves are the most appropriate and the ideal way to achieve progress.

Our model rests on the principles of positive engagement, independence, transparency, and accountability. We will draw on these to help drive change on this critically important issue. In the coming weeks, we will be summarizing all of the stakeholder input we have gathered throughout the consultation period and posting it publicly along with other findings and updates on the work plan. We welcome additional inputs from you and hope that you will continue the conversation with us. We invite you to work with us on this important challenge.

Sincerely,

A handwritten signature in black ink, appearing to read 'Claudia Coenjaerts', with a long, sweeping horizontal stroke extending to the right.

Claudia Coenjaerts

President and CEO

Fair Labor Association