Minutes of the WRC Board Meeting
January 30, 2015

Attending the meeting were Scott Fleming, Marybeth Schmutz, Everett Mitchell, Jill Esbenshade (via phone), Julie Martinez Ortega, Jeff Hermanson, Maya Menlo, Sarahi Soto-Talavera, Mark Ortiz, Lorelei Christie, and Nida Ahmed.

WRC Staff in attendance were Scott Nova, Ben Hensler, Jessica Champagne, Theresa Haas, Lynnette Dunston, Tara Mathur, Aryane Trew, and Ruairi Rhodes.

Observers in attendance were USAS representatives, Morgan Currier and Julia Wang.

The meeting was called to order at 9:16 a.m. by Board Chair, Maya Menlo.

Agenda Review: The time slots for the update on Haiti minimum wage remediation and the executive session were switched. The Treasurer's report was moved to the executive session. (Julie Martinez Ortega served as acting Treasurer on behalf of Elizabeth Bunn who could not attend the meeting.)

Board Meeting Minutes of September 19, 2014: Scott Fleming motioned to approve the minutes and this was seconded by Everett Mitchell; the minutes were unanimously approved.

Executive Director's Report: Scott provided an update on the WRC's work since the prior meeting of the Board, covering several cases and projects. He noted, in particular, that work on Accord implementation has been exciting, time consuming and challenging. There has also been a disturbing upswing in anti-union violence in Bangladesh, which the WRC has been working to address.

Scott reported that, since the last Board meeting, there have been two new WRC affiliates: University of Manchester and University of East Anglia, both of which are located in the UK. The WRC also completed its first investigation of a factory on behalf of the British bookstore purchasing consortium, NUSSL. Scott noted that NUSSL's relatively small purchasing volume poses a hurdle to implementing significant improvements at factories where NUSSL represents only a small portion of the factory's business.

Ben provided an update on the violent crackdown on minimum wage protests in Cambodia, an issue on which the WRC has done extensive work over the last twelve months. He began with background context: at the end of 2013, there was a major protest movement that developed in Cambodia over the inadequacy of the minimum wage. The government convened a panel that calculated that workers needed to earn $160/month to live on, which was double what workers were making. Around the same time, the government announced that the new minimum wage would be only $94/month. This gap sparked major protests among workers, which were peaceful. The military launched a crackdown, opening fire on protestors with assault rifles, killing three workers and injuring dozens. Additionally during this time, the government ceased granting new union registrations. As the minimum wage came up for review again last fall, independent unions called for a minimum wage of $177/month, which they later modified to

$140/month. Factory owners proposed $110/month. The government subsequently announced the new minimum wage of $128/month, which the government justified as being above the poverty line of $120/month. Groups are calling on buyers to help factories meet the higher labor costs, by increasing prices; the latest increase will require a 3% increase in prices, or roughly $0.02/t-shirt. Ben noted that this collective action by workers has been a significant factor to achieving wage gains in Cambodia, though obviously at a very high price.

Next, Ben discussed Goldakas Exports, the largest garment manufacturer in India. Goldakas produces non-collegiate apparel for adidas and Puma. The WRC received a complaint in July 2014 from a worker whose two-year-old child had died while in the care of the factory nursery. The child had fallen unconscious and was taken to a local hospital but was dead on arrival. The WRC found that the factory nursery lacked a caregiver with required health care experience, lacked a first aid clinic with medical personnel, and lacked an on-site ambulance vehicle – all of which are legal mandated. The factory denied the findings and blamed the mother for the child's death, saying that the child had a pre-existing illness and should not have been placed in the care of the factory's nursery. The factory provided minimal compensation in the amount of US$2,400 (about two years' wages) to the mother. The WRC found no evidence of a pre-existing illness and concluded that the factory's failure to comply with the law had contributed to the child's death. The WRC contacted the factory and its buyers regarding its findings, recommending corrective actions with respect to the factory's management of the nursery and with regards to compensation for the mother. Two buyers, Adidas and Puma, have indicated that the FLA will conduct an investigation. The WRC's work on this issue remains ongoing and will include recommendations to licensees on to ensure that their factories in India are in compliance with applicable standards in this area.

Ben then provided an update on the situation at PT Jaba Garmindo in Indonesia, a collegiate supplier to Haddad and a non-collegiate supplier of EU brands. The president of the union at the factory was illegally fired and other union leaders were punished for their membership in the union. Factory management initially refused to cooperate and retained a US lawyer who has disputed the WRC's findings. Through a series of conversations, factory management finally agreed to reinstate the eight union leaders and issue a joint statement with the union committing to freedom of association. However, they have refused to reinstate the union president, claiming they fired him for inappropriate conduct, though the conduct in question consisted of public statements. The WRC is continuing to communicate with buyers on freedom of association issues at the factory and document non-freedom of association violations.

Lastly, Ben discussed a WRC monitoring project, carried out on a fee-for-service bases for the US Department of Labor, at a health care facility. The facility, located in the San Francisco Bay Area, employs workers who take care of patients with Alzheimer's and dementia. The majority of workers are immigrants from Mexico and Central America. The facility has a long history of wage-and-hour violations and had previously retaliated against workers for filing a complaint with DOL. In April 2014, DOL launched an investigation which led to a $300,000 citation for minimum wage violations. The court required back pay and damages for workers, and payments to the Court Registry to fund monitoring. DOL asked the WRC to monitor compliance with these requirements, a process which included (1) onsite wage rights education sessions; (2) offsite interviews of workers; (3) reviewing employer wage and hour records; and (4) requesting employer correction of violations before informing DOL or referring to other agencies. Additionally, the WRC worked to get an employee rehired who was illegally fired due to her pregnancy. The WRC was also able to get the employer to disown any statements of retaliation against employees. Furthermore, the WRC was able to help address and remedy California state wage and hour violations not addressed in the settlement – meal and rest breaks, off-the-clock work and overtime. The WRC has also identified and remedied new wage underpayments. At the beginning of the year, a new employer took over the facility and was required, as part of the judgment, to keep the current employees. The WRC is currently completing its work. Ben noted that the WRC agreed to do the work in part to help DOL achieve a more effective approach to monitoring of compliance in such cases – in the past, the process has involved the employer choosing its own monitor.

Next, Theresa provided an overview of an incident at the Tex-Ray facility in Swaziland, owned by Taiwan-based Tex-Ray Industrial Co. Ltd. Tex-Ray is disclosed as a collegiate supplier for VF Imagewear and produces non-collegiate apparel for VF (Nautica), Dickies and Carter's (Osh-Kosh). The facility is one of the largest garment factories in the country, employing approximately 1,600 workers. The WRC received a complaint regarding an incident on September 5, 2014 in which workers were exposed to toxic chemical fumes. After the fumes spread, many workers became ill and some lost consciousness. Management at first refused to let workers leave the facility; workers were finally able to exit the facility after emergency services arrived, having been contacted by the factory union. More than 400 workers were taken to the hospital. Most workers were released the same day after being treated, but eleven workers, including a pregnant worker, had to be hospitalized. Tex-Ray at first refused to tell workers which chemicals they were exposed to. To date, workers continue to experience symptoms including chest pains, headaches, dizziness, and skin rashes. On September 12, production at the facility resumed but then closed for good at the end of October, for reasons unrelated to the chemical leak.

The WRC contacted VF, asking a series of questions about the incident. VF responded, but the responses were incomplete and in some cases merely relayed unsubstantiated or false claims made by Tex-Ray. The WRC is still investigating and will report to universities on the case, which is one of the worst acute health and safety incidents the WRC has encountered at a collegiate supplier. Although the factory is closed, the WRC is hoping both to ensure that the effective workers have received proper care and compensation and to convince Tex-Ray to correct any defects in its approach to safety, since the company operates numerous other factories in Swaziland and around the world.

<u>Latin America Field Staff Report</u>: Ruairi provided a general update on Alta Gracia. The factory broke even financially and expects to be profitable in 2015. The factory produced approximately 1.8 million pieces in 2014. Clients in 2014 included Starbucks, University of Notre Dame and Follet. The Alta Gracia facility was operational for the entire 2014 calendar year – no paid furloughs due to low order volume were necessary – and expects to produce two million pieces in 2015. Alta Gracia signed a contract for 2015 with the National Hockey League for NHL Pro Shops. The factory, which started with less than 100 workers, now currently employs 147 non-managerial staff. Sixty-five provisional employees were hired in 2014, 20 of which will be retained for 2015. Georgetown University Professor John Kline's latest report highlights the

impact of the living wage on the lives of Alta Gracia workers in several areas, including (1) increased nutrition for employees and their families; (2) increased ability to leverage income to access credit and improve living conditions through construction loans; and (3) increased access to education for workers and their children. The CBA signed in 2013 calls for annual four percent salary increases to be implemented in November of each year for the duration of the two-year agreement, with safeguards to ensure that the wage never dips below the a living wage, as determined by the WRC. The base monthly salary for machine operators is now US$484.62, about three times the legal minimum of $164.09/month. There was also an increase in voluntary overtime due to the size and deadline of the Follett order; workers were offered voluntary overtime and holiday pay through the last quarter of 2014, which provided a further short-term boost to workers' income. Factory management is also currently seeking to form a collaborative relationship with a financial institution in the Dominican Republic to provide low interest loans for workers so that they may consolidate debt and avoid the high interest loans that are typically available. WRC monitoring showed continued compliance with the living wage requirement and other applicable standards, with only minor, inadvertent and swiftly-corrected violation.

Additionally, the WRC helped facilitate a workshop focused on productivity, communication, team work, and motivation, which was attended by 192 employees. The purpose of the workshop was to help the union and the factory with the challenges of maintaining high levels of productivity in a factory where traditional coercive means to speed production cannot be utilized.

Next, Aryane provided an update on the Gildan Villanueva facility in Honduras. Gildan Villanueva, directly owned and operated by Gildan, provides collegiate apparel to Rocket Sportwear, J America Sportswear and Cotton Gallery. In 2013, five workers who had been in communication with a local NGO, the Center for Women's Rights (CDM), regarding working conditions were dismissed from the factory. The workers subsequently reported to the WRC that 40 additional workers had been terminated in retaliation for their participation in such activities. Pursuant to a WRC investigation, Gildan committed to rehire the fired workers, but has dragged its feet for more than a year, rehiring only a few. Finally, in November and December of 2014, Gildan hired back most of the workers, providing four months' wages as a bonus in lieu of back pay. There are several workers who have still not been hired and the WRC continues to press Gildan. The WRC will continue to monitor the situation at Gildan Villanueva and the broader issue of Gildan's problematic labor rights performance as a major supplier to collegiate licensees.

Aryane continued with a brief update on Russell. The first CBA expired on December 31, 2014 at Jerzees Nuevo Dia. The union had presented its initial proposal for a second CBA on October 28, 2013. Negotiations are in progress, but proceeding slowly. The company and union are currently in agreement on 5 out of the 22 clauses of the proposed contract. At Jerezees Buena Vista, the first CBA was signed October 24, 2013. There has been significant progress in implementing the contract but the union has cited areas of concern, particularly with scholarships for workers. At VFI, the first CBA was signed on June 13, 2014. The factory has been converted to a distribution center, which is not yet fully operational. The WRC is reviewing progress towards compliance with the CBA and compliance with rehiring commitments. At Manufacturas Villanueva, the CGT-affiliated union, Sitramavi, was legally recognized on September 19, 2014. The union started the negotiations for its first CBA on January 27, 2015. The WRC will continue to monitor progress at all of these facilities and, notwithstanding challenges inherent in a collective bargaining relationship, considers the implementation of the historic agreement between Russell/Fruit of the Loom and the CGT union federation to be a continued success.

Tara then discussed Industrias de Exportacion, a factory owned by Grupo Beta in Honduras and a producer of apparel for numerous university licensees. Violations at the factory include issues with respect to wages and hours; gender discrimination; statutory paid time off; other statutory benefits; and occupational health and safety.

Tara continued with a summary of a joint report released by the WRC and the Center for Global Workers' Rights (CGWR) at Pennsylvania State University. The report, "Unholy Alliances," documents a pattern of violations of freedom of association by employers in the garment industry in El Salvador. El Salvador has been and continues to be a significant location for the production of university-licensed apparel. The report documents a disturbing pattern of employer collusion with the notoriously corrupt Salvadoran union federation known as Fenastras and the formation of "company" unions to restrict workers' exercise of associational rights. Employers have also enlisted members of violent street gangs to physically intimidate and threaten workers attempting to form independent unions. The WRC has made a number of recommendations to brands and will continue to update universities as to licensees' responses to this report and these issues, and to investigate any reported use of these practices by Salvadoran garment factories producing for university licensees.

Executive Session: An executive session was held to discuss confidential personnel and financial matters.

Update on Bangladesh: Scott discussed the recent violent attacks on union leaders orchestrated by the Azim Group, a major garment producer in Bangladesh with approximately 30 factories and over 30,000 workers. Azim produces for PVH, VF Corporation, Kohl's, the Children's Place and the Gap. Azim carried out multiple physical assaults against union leaders at two of its facilities in retaliation for workers' organizing efforts and, until recently, had refused to take any meaningful action to address these abuses and prevent further violence. As previously reported, on August 26, 2014, the union president of Global Trousers was attacked by masked thugs, acting at the behest of factory management, outside the factory after her shift and was beaten with iron rods. She was left unconscious in a pool of her own blood until fellow workers found her and took her to the hospital where she required nearly two dozen stitches due to a large gash in her head. Following the attack, the WRC wrote to brands; however, brands were slow to act and put no real pressure on Azim to remedy the abuses. Subsequently, on November 10, 2014, factory managers at the Global Garment facility, also owned by the Azim Group, directed and participated in attacks on multiple leaders of the Global Garments union. The union's general secretary was pushed to the ground, kicked, punched and beaten. Her nephew, another member of the union, was also attacked when coming to her defense. These assaults were carried out in front of the factory gates as workers were attempting to enter the plant and managers made statements linking the violence with workers' role in the union. Scott showed video footage of the attacks from the factory's security camera to the Board. Immediately after the November 10 attacks, the WRC again wrote to brands and pressed them to establish deadlines to terminate business with Azim if Azim did not to take meaningful action to remedy these violations and commit to work constructively and peacefully with the unions. By December 24, most brands had set such deadlines, forcing Azim to sign agreements with the unions which included reinstatement for terminated Global Garments union leaders with back pay; a schedule for regular meetings between management and the unions, in which the parent union, BIGUF, will be able to participate; and statements on freedom of association to be issued to the workforce. However, the agreements failed to provide for compensation, beyond payment for medical bills, for the leaders assaulted and failed to require disciplinary action against the managers responsible for those assaults. Despite the shortcomings of the agreements, the outcome that has been achieved in this case is very positive, and includes long-term joint brand-labor monitoring at both factories. Of particular importance, Scott noted, the case for the first time demonstrates to Bangladeshi factory owners that there can be real economic consequences for anti-union violence.

Scott continued with an update on the Accord. The Accord has a very sizable operation, currently with 95 employees, which is projected to increase to 130-135 employees in the near future. The initial inspection program was completed on schedule at the end of September which totaled 1,300 factories with three inspections at each: structural, fire and electrical. The Accord has inspected one third of its shared factories with the Alliance and the Alliance has inspected the remainder. However, the Alliance still has yet to provide the reports of these inspections, which were due six months ago, a major cause of concern for the Accord. There are also now 130 new factories being used by Accord signatory brands that will have to undergo initial inspections. There are 714 corrective action plans that the Accord has in its possession that need to be approved; 598 corrective action plans have been approved (500 of which are posted online). Of the 500 reports posted online, there are 52,655 necessary corrective actions mandated by the engineers (an average of about 100 per factory). Scott lauded the progress to date, but also expressed serious concern at apparent non-compliance with key Accord provisions by some brands and the potential for this to delay or prevent full remediation of safety hazards. He explained that the union signatories to the Accord are pursuing action against some brands under the Accord's dispute resolution and enforcement mechanism.

Scott reported that the Accord Steering Committee has approved a plan, under which the Accord is going to proceed with the establishment of worker-elected occupational health and safety committees in a number of "pilot" facilities, a key element of the Accord's work.

<u>USAS Bookstore Policy Proposal:</u> USAS Board members presented an outline of a planned "sweat-free bookstore program" to the Board. The program, which USAS says it may be proposed to many schools, would ask university bookstores to purchase a fixed and sizable percentage of their university logo apparel from factories that meet a higher labor standard, like that achieved at Alta Gracia and at Jerzees Nuevo Dia.

The meeting was adjourned at 4:04 pm.