Minutes of the WRC Board Meeting
February 5, 2016

Attending the meeting were Scott Fleming, Marybeth Schmutz, Everett Mitchell, Elizabeth Bunn, Julie Martinez Ortega, Scott Kelley, Emilie Wood, Sofia Vera, Michael Ferrer, Ciara Malaugh, Jill Esbenshade (via phone), Scott Kelley (via phone) and Jim Wilkerson (via phone for executive session).

WRC Staff in attendance were Scott Nova, Ben Hensler, Jessica Champagne, Chelsea Rudman, and Lynnette Dunston.

Observers in attendance were Joanne Dus-Zastrow, Rutgers University; Morgan Currier, USAS; and Laura Schroeder, WRC intern.

The meeting was called to order at 9:16 a.m. by acting Board Chair, Scott Fleming. (Scott Fleming served as acting Chair on behalf of Jim Wilkerson who could not attend the meeting in person.)

Agenda Review: The approval of minutes was moved to after the Executive Director’s Report for quorum purposes.

Executive Director’s Report: Scott began with organizational updates. WRC Director of Communications Theresa Haas has resigned to take a position on a presidential campaign. The WRC’s Bangladesh field representative, Laura Gutierrez, will be transitioning back to the US and will work from the DC office, continuing her Bangladesh-related coordination role, but also picking up some of Theresa’s responsibilities.

Chelsea and Jess noted that the WRC’s affiliated union, IFTPE Local 70, recently welcomed the Center for American Progress (CAP) as a new member.

Scott then continued with a factory report on JoeAnn Dominicana in the Dominican Republic which produces for Franklin Sports, adidas, and Fruit of the Loom. In March 2015, the WRC initiated an investigation in response to a complaint alleging that three union leaders had been illegally dismissed for exercising their right to freedom of association. The March 2015 complaint followed a previous investigation by the WRC at the facility in 2013 that determined that management had terminated seven workers in retaliation for their efforts to form a union at the factory. However, after our investigation into the 2015 complaint, which included interviews with workers and management and a visit to the factory, the WRC found no evidence that the workers were terminated in retaliation for union activities.

Next, Ben gave an update on the WRC’s work with the Ethics Council of the Norwegian Government Pension Fund. Following the WRC’s investigations at six Cambodian factories in June-Aug 2015, the Council asked the WRC to research eight additional factories in Vietnam. In October 2015, the WRC launched its investigations. The WRC will complete the project by end of spring.
Scott updated the Board on a project that the WRC has been working on, the “Worker Driven Social Responsibility Collaborative,” which will focus on public education, and related efforts, concerning the need for a shift from the voluntary “CSR” model to a labor rights model defined by binding enforceable agreements between worker representatives and global corporations. Scott noted that it has become clear to the WRC, through long observation, that relying on corporations to comply voluntarily with their own labor standards is not an effective approach – the worker safety disasters in Bangladesh, all in factories repeatedly inspected under the voluntary monitoring programs of major Western brands, being only the most powerful example. If we want corporations to comply with standards – especially labor standards, which inevitably raise production costs – it is necessary to make those standards a binding obligation, just as universities have done with their licensees. Rather than simply accepting pledges from licensees to comply with standards and police their own supply chains (which was the approach licensees strongly preferred) universities decided to make labor standards a binding provision of licensing contracts. The Bangladesh Accord represents a further advance in this regard.

The project seeks to educate people about the realities of what is happening in supply chains under existing industry programs and the alternatives available. The project is being sponsored by the National Economic and Social Initiative (NESRI), a New York-based policy and advocacy organization which focuses on the issue of low wage work. Other participants include the Coalition of Immokalee Workers, an organization based in Florida that has agreements with a number of supermarket chains and fast food companies on wages and working conditions for tomato pickers and other agricultural workers (agreements that, Scott explained, have given rise to a highly effective labor rights compliance program) and the Business and Human Rights Resource Center, an information clearing house on human rights issues in global supply chains. The WRC is a participant in the project and Scott is serving on its leadership committee.

Board Meeting Minutes of October 2, 2015: Julie Martinez Ortega motioned to approve the minutes and this was seconded by Marybeth Schmutz; the minutes were unanimously approved.

Update/Discussion on Nike Situation: Ben began by reviewing the background of the relationship between the WRC, Nike, and universities around the issue of both universities’ code of conduct and access to Nike supplier factories. In the late 1990s when schools began to adopt codes of conduct, Nike was resistant to the idea that university codes would be binding on the company. At that time, Nike already had its own code of conduct; however, the code only bound its supplier factories and not Nike itself. Nike was also unhappy with the fact that compliance with many universities’ standards would be assessed at its supplier factories by the WRC, an independent body that Nike had no control over. Despite resistance from Nike and other licensees, universities did adopt codes and introduced them into their licensing agreements, codes which generally require licensees to permit their factories to be inspected by agents designated by the universities.

Despite Nike’s discomfort with universities’ approach, and early hostility to the WRC, Nike proved, in practice, to be cooperative with the WRC’s efforts. During the WRC’s first investigation at a collegiate factory, Kukdong/Mexmode, in Mexico, Nike arranged access to the factory for the WRC’s investigators. Since that time, the WRC has considered the issue of Nike’s cooperation, including on issues of factory access, to be settled. Since that first assessment, the
WRC has gained access to other Nike factories, sometimes via Nike’s direct involvement. In some cases, Nike’s own representatives have accompanied WRC representatives to the factory. The WRC has also conducted assessments at many Nike factories.

WRC investigations at Nike factories, both those involving onsite access and those that did not, have uncovered numerous violations of university labor codes. To Nike’s credit, the company has often cooperated in pressing factories to remedy violations documented through WRC inquiries, resulting in significant improvements for workers. These findings do, however, demonstrate that Nike’s preferred monitoring efforts are not sufficient, on their own, to ensure compliance with university standards – that the independent work of the WRC is necessary.

In October 2015, the WRC sought access to a Nike collegiate supplier, Hansae Vietnam, the site of recent strike. After management refused access, the WRC turned to Nike for help with access to the factory. Nike refused and made the claim that its policies does not permit access to its contract factories for any investigative body that Nike itself has not accredited. When the WRC brought this to the attention of schools, Nike claimed to schools that it never has permitted the WRC access to inspect supplier factories. Ben noted that the factual record shows otherwise.

The WRC has sent various communications to affiliates discussing the issues and the relevant history and reviewing the claims in Nike’s communications.

Ben reported that the WRC received a letter from Cornell proposing that the WRC and the FLA jointly visit Hansae Vietnam. Ben referenced Scott’s report to the Board, via email, on his decision to agree to the proposal for a joint visit, noting that other elements of the WRC’s and the FLA’s respective investigations of Hansae (including, for example, off-site interviews) would remain separate. The WRC conveyed its agreement to Cornell to a joint WRC-FLA visit to Hansae, in a letter to Cornell’s late president, Elizabeth Garrett. The FLA also agreed to a joint visit. As of the date of the Board meeting, Nike had yet to agree to Cornell’s proposal.

The WRC will continue to update the Board and universities on new developments.

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

Field Report – Case Updates: Jess discussed Jerzees Buena Vista, a producer for Fruit of the Loom in Honduras, which announced in October 2015 that it would be closing. Jerzees Buena Vista workers will receive full severance plus 30% to workers producing at the target efficiency rate at the time of closure. Furthermore, all 600 of the workers at the factory have been offered employment at Manufacturas Villanueva, another facility owned and operated by Fruit of the Loom, and will come on as new employees having received severance from their prior employment, but will still retain seniority for purposes of calculating vacation. Workers have supported Manufacturas Villanueva adopting a new 4x4 schedule. Workers have also requested and received additional transportation, which is important for worker safety. Lastly, Jerzees Buena Vista workers were able to maintain similar terms and benefits above the industry norm in their CBA, including production bonuses above the industry norm, educational scholarships for workers, and the establishment of a savings and loan cooperative.
Next, Jess provided an update on Alta Gracia. The WRC just released one of its annual monitoring reports. The factory continued exemplary compliance; there are a few minor issues, which management dealt with promptly. Jess added that after the reporting period, the union and management reached a verbal agreement on a new CBA which will be signed in the near future. Jess noted that when Alta Gracia was first established, wages in the factory were based solely on the WRC’s living wage study, with the WRC setting the living wage level each year, based on inflation data. After workers formed a union at the factory and began bargaining with management, the parties agreed to an annual four percent increase, designed to keep pace with cost of living, with a clause that ensures that, if inflation is significantly higher, wages will be re-evaluated to ensure ongoing compliance with the WRC’s living wage standard. Wages continue to be approximately three times higher than the minimum wage – approximately $500 per month at the current exchange rate.

Jess continued with an update on minimum wage compliance in Haiti. Hanes has now announced that they are moving production into a new factory in Caracol Park. The factory is still ramping up and hasn’t shipped very many orders yet so it is too early to say whether it will be collegiate, but it is still covered by Hanes’ commitment to ensure that the factory pays wages of 320 Gourdes per day (which is equal to the higher tier of the minimum wage). Hanes has informed the WRC that the new factory reports that it is paying 320 gourdes per day and that Hanes has hired an auditing firm to review the books and verify whether this is the case. The WRC will be accompanying this auditor, which allow the WRC to confirm whether the factory is defining the terms and performing the calculations accurately and is actually in compliance.

As previously reported, the WRC completed wage assessments at three Gildan factories, including onsite records review. Two of their three factories, owned by Alain Villard who has signed an agreement with a Haitian union on this issue, are now in compliance with the 320 Gourdes standard. The third factory, operated by the Apaid family, is not. Apaid has proven very uncooperative on this issue, relative to other factory owners.

Next, Jess discussed ongoing investigations at Yupoong in Vietnam, a hat manufacturer that supplies collegiate apparel to Nike, Richardson Sports, and Mitchell & Ness, and at Jaba Garmindo in Indonesia, which was disclosed as supplying collegiate apparel to Haddad Apparel (the WRC later determined that Learfield Licensing group inaccurately disclosed Haddadd as a supplier).

Ben then discussed Maral Overseas, which has two factories in Noida, India, producing for collegiate licensee Charles River Apparel, and Shahi Exports in Bangalore, India, where a worker’s child died while in the care of an onsite childcare facility.

The meeting was adjourned at 3:33 p.m.