Minutes of the WRC Board Meeting
February 28, 2014

Attending the meeting were Jim Wilkerson, Everett Mitchell, Marybeth Schmutz, Mike Powers, Jeff Hermanson, Julie Martinez Ortega, Jose Godinez, Maya Menlo, Rob Battista, and Sarah Newell. Jill Esbenshade joined by phone. WRC staff members in attendance were Scott Nova, Jessica Champagne, Ben Hensler, and Lynnette Dunston.

Observers in attendance were university representatives Juanita Edwards, American University and Joe Ebaugh, University of Maryland.

The meeting was called to order at 9:37 a.m. by acting board chair, Julie Martinez Ortega.

Agenda Review: There was an addition to the agenda: The auditors were scheduled to meet with Board members at 10:30 a.m. to discuss the audit process and answer general questions. As a result, the morning break was pushed back from 10:30 a.m. to 10:45 a.m. and the review of board policy section was shortened by 15 minutes.

Board Meeting Minutes of October 18, 2013: Jeff Hermanson motioned to approve the minutes and this was seconded by Mike Powers; the minutes were unanimously approved.

Executive Director’s Report: Scott began by reporting that two new universities had affiliated with the WRC since the last meeting: University of Oklahoma and Nova Scotia Community College. Scott announced that the agenda for the upcoming annual University Caucus meeting had been circulated last week.

Mike Powers then gave a brief Treasurer’s report, indicating that the organization’s finances were in good order. Mike also noted that additional information about the financials would be discussed in more detail during the executive session.

Jess provided an update on the PT Kizone case. A second round of funds was distributed by adidas to workers on January 15-18. Following the distribution last June, workers were still owed over $600,000. The WRC calculated the second distribution to workers to be approximately $340,000. According to the WRC’s calculations, to date, workers have received a total of $2.9 million; approximately $300,000 remains unpaid. The bankruptcy proceedings remain unresolved and there has been no further movement since reporting at the last Board meeting, but it is the WRC’s expectation that the bankruptcy process will ultimately generate sufficient funds to ensure that workers receive, in total, more than 100% of their original legal entitlement.

Jess went on to provide an update on Alta Gracia, noting that the WRC’s latest monitoring report would be released the following week. Jess noted several positive developments at the factory including: (1) an updated payroll system; (2) additional health and safety trainings for workers and managers; (3) new fire alarms; (4) a newly signed collective bargaining agreement; (5) a new community learning center; (6) labor management programs; (7) improved bank loan programs; and (8) product diversification (i.e. cap production). Overall, it has been a very positive year at the factory.

Scott then provided an update on the WRC's work with the National Union of Student Services Limited (NUSSL), which is the body that purchases apparel and other goods for university stores across the UK. At the WRC's recommendation, NUSSL has engaged in outreach to its vendors over a significant labor rights issue related to apparel production in Haiti, which will be further discussed in the next section. A number of NUSSL's vendors that were customers of factories in Haiti, were impacted by the minimum wage violations. NUSSL's vendors did agree to intervene and contact their suppliers in Haiti, which has had a positive impact.

Scott then provided a brief update on Russell in Honduras. Russell has negotiated a collective bargaining agreement at a second factory, Jerezees Buenos Vista, in addition to the collective bargaining agreement at Jerzees Nuevo Dia. Russell also announced a decision to lay off a large number of workers, approximately 80-85% of employees, at another one of its facilities, VFI, due to a conversion of the plant to a distribution center, which will employ a much smaller workforce. Russell contacted the union at VFI and other various organizations, including the WRC, well in advance and negotiated a layoff agreement with the union, which the union found satisfactory. The union was able to negotiate, in addition to full payment of legally mandated compensation: (1) an additional six months' severance for workers who had been employed at the factory for three or more years; (2) an additional three months' severance pay above legal minimums for other employees; and (3) various mechanisms to assist the laid off workers in finding other jobs, including reemployment of some workers at other Russell and Fruit of the Loom facilities. The union will continue to represent workers at the facility after it transitions to a distribution center. All of this represents a positive outcome – while the layoffs are very unfortunate, the company worked with the union to reach a mutually agreeable resolution. Also, Russell received a special award from the US State Department earlier this year in recognition of the progress that Russell and the union have made, as a model for respect for the right to organize and bargain in Central America, a region of the world where it has been tough to establish genuine respect for this right.

<u>Update on Haiti/Minimum Wage:</u> Scott provided an update on the minimum wage violations in Haiti. As the WRC reported, the violations are not only widespread but also severe and workers are being underpaid by approximately 30%. The WRC's report received significant coverage by the New York Times and the WRC has engaged with many brands and a broad range of organizations with an interest in the work. Scott noted that the Haitian minimum wage law is crafted with two tiers: the higher tier establishes a wage rate that is supposed to be paid to workers who are paid according to the piece rate system and is supposed to be paid to at least 90% of such workers. Factories are supposed to set a piece rate that allows workers to earn the higher tier wage level during the regular workday; however, factory owners set the piece rates so low – or, conversely, set the production quotas so high – that workers are unable to earn the legal daily minimum in a regular workday as the law requires.

There has been strong push back from employers and the government against labor groups advocating for enforcement of the legal minimum wage. The WRC is continuing to urge brands to ensure that their supplier factories implement the legal minimum wage and provide back pay for workers. Fruit of the Loom, Gildan and Hanesbrands, three of the largest buyers from Haiti, have made public commitments to enforce the minimum wage in their facilities. There was a productive meeting between brands, unions, and labor groups, facilitated by the WRC, to achieve an agreement for implementing the wage. To ensure the factories can comply, the WRC has asked brands to (1) adjust the prices they pay to their factories to reflect the higher labor costs associated with paying the proper wage; and (2) make a commitment to maintain production in Haiti. The WRC is hopeful that such an agreement can be reached with the three brands mentioned and if so, will share contents of those agreements with Board members at the next meeting.

Auditors from McQuade Brennan: The auditors announced that the audited financial statements were almost complete, that they did not encounter any problems, and that the audit went as planned. The results of the audit will be discussed at the next Board meeting.

Fire and Building Safety in Bangladesh: Scott began with an update on the status of implementation and progress of the Accord on Fire and Building Safety in Bangladesh. There are currently 156 signatory brands from 22 countries. There are approximately 1,650 factories now under the Accord which covers approximately 2.2 million workers. A budget of $10.5 million was approved by the Accord steering committee for the first year, which covers the initial inspection program and administrative aspects of the Accord. A fee structure was also approved, with annual fees ranging from $1,000 - $500,000 for member companies – again, this is to cover inspections/administration and is exclusive of renovations and repair costs. There are different fee tiers depending on a company's production volume in Bangladesh.

The Accord inspection program will be operating at near full capacity in March. The Accord has contracted with four leading international safety engineering firms to carry out the initial round of inspections. There will be 12 fire safety teams, 12 electrical teams, and 12 structural teams. Each inspection will be a full-day inspection of the factory, plus subsequent analysis and document review. All factory inspections will be completed by September or October of 2014. The first 10 inspections have been completed and the Accord will release those report next week on an international media conference call.

Eight licensees have now signed the Accord, including three of the largest licensees sourcing from Bangladesh. Duke, Penn State, University of Washington-Seattle, University of Pennsylvania, Temple, New York University, Georgetown, Cornell, Columbia, and Brown have all adopted policies requiring their licensees sourcing from Bangladesh to sign the Accord. There are also active discussions taking place at a number of other universities about adopting such a policy. Scott noted that there have been some issues with the accuracy of disclosure information. The WRC has been working with the CLC to determine which licensees are in fact producing in Bangladesh and which are not. Two collegiate licensees acknowledge production in Bangladesh though it was not disclosed; others deny producing in Bangladesh though the disclosure data shows that they were producing in Bangladesh during the relevant time period.

Scott then discussed some of the concerns about the Alliance for Bangladesh Worker Safety, which include: (1) there is a continued lack of meaningful worker representation, (2) there is no independent enforcement mechanism to hold brands and retailers accountable to their commitments (3) any financial support for factory renovations by the brands and retailers is purely voluntary, (4) there is an excessive emphasis on public relations.

The WRC will continue to participate as an observer on the Accord steering committee, work with the chief inspector on technical issues, and help workers and worker representatives in playing a meaningful role in the inspection and remediation process.

<u>Potential Modifications to Model Code:</u> Ben discussed proposed modifications to the WRC Model Code in the following four areas: (1) Forced and Prison Labor, (2) Licensee Responsibility for Unpaid Compensation, (3) Natural Disaster/Interruption of Production, and (4) Freedom of Association and Collective Bargaining.

Forced and prison labor language was already approved by the board in January 2012.

The Board discussed the need to further clarify the proposed language for Licensee Responsibility for Unpaid Compensation.

Ben suggested adding the following bolded text to the proposed language to Licensee Responsibility for Unpaid Compensation: "Licensees shall be jointly and severally responsible for **paying** all legally **unpaid** mandated compensation, including but not limited to…"

Jeff motioned to adopt the proposed language for Licensee Responsibility for Unpaid Compensation with Ben's amendment; Jill seconded; all present voted in favor; Everett abstained.

Scott F. motioned to adopt the proposed languages for Natural Disaster/Interruption of Production and Freedom of Association and Collective Bargaining; Everett seconded; passed unanimously.

<u>Review of Board Policies</u>: Ben reviewed the conflict of interest disclosure form with Board members and asked that they submit their completed forms to the Board Chair. Any conflicts submitted will be discussed during the executive session.

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

<u>Field Staff Update:</u> Jess reported on Manufacturas del Rio (MDR)/Central American Cutting Center (CCC) in El Salvador. MDR and CCC are two entities operating in the same building, both owned by the Argus Group. MDR and CCC produce collegiate apparel for Russell and produce non-collegiate apparel for Hanes, Lacoste and Levi Strauss. Following a strike at the factory and attempts by the union to bargain collectively with management, the facility closed on January 7 without notice. Following the closure, workers were not paid for their final week of work, and

the factory failed to pay workers’ severance totaling at least $1.6 million, and failed to make legally-required payments to pensions and health care funds. The WRC is attempting to engage with the Argus Group (though members of the Argus Group have denied any relationship with the plant) and buyers to press for remediation.

Ben reported on a crackdown by the Cambodian government, supported by garment factory owners, against garment workers in response to massive strikes for a higher minimum wage. Military combat units were called in by factory owners to respond to the strike. Four workers were shot and killed, 23 workers detained, and 171 workers from 12 factories were terminated in retaliation for participating in the wage protests. The WRC, along with other human and labor rights groups, has called on the brands sourcing from Cambodia and the Cambodian government to end this crackdown and restore workers’ rights. The WRC has released a report on the crisis, which urges brands to call for the release of detainees, contribute compensation for families of slain and wounded workers, and communicate support for an increase in the minimum wage.

Ben then reported on Honsin Apparel/Prolexus, a factory in Malaysia that supplies Under Armour and Nike. Like many factories in Malaysia, Honsin Apparel relies on migrant workers from lower-wage countries (200 of its workers are from Cambodia). The government aggressively regulates this workforce by detaining, jailing and deporting workers who are found in violation of its strict immigration regulations. The WRC had recently worked on the case of a migrant worker who had traveled to Malaysia in 2011 and for the first 15 months there was paying money out of her paycheck to pay back the fee she had been required to pay to obtain a job at the factory. Last summer, the worker had failed a legally mandated health exam and was found to have an infection. Thought the infection was easily treatable, she was given no medical treatment by the factory. The factory, instead, had her simply retested several times, but she continued to fail each health exam because of the lack of treatment. In August, the factory informed her that her work permit had been cancelled due to her failed medical exam and that she was now in the country illegally. The factory management took her to an immigration office to arrange her return to Cambodia and Malaysian police arrived and arrested her. She was held in jail for two days and then brought before a Malaysian judge, who, after a five minute proceeding conducted in Malay, during which she had no access to a lawyer or interpreter, she was found guilty of immigration law violations and sentenced to four months in prison. She continued to receive no medical treatment in prison and her conditioned worsened. A Malaysian NGO that advocates for migrant workers contacted the WRC about this case and the WRC, in turn, contacted Nike and Under Armour. After intervention by both the WRC and Nike to bring pressure to bear on the factory owners, the worker’s court case was reopened for a rehearing on October 30. The judge ordered the worker to be released. Upon release, the factory provided her with airfare to return home. When she returned to Cambodia, she had to be hospitalized. The factory paid her medical expenses and substantial financial compensation. The worker has now recovered. The case is indicative of the dangers migrant workers face in the region and of the need for licensees to be vigilant in monitoring and protecting the rights of these workers.

The meeting was adjourned at 3:58 p.m.