

Minutes of the WRC Board Meeting October 2, 2015

Attending the meeting were Jim Wilkerson, Katie Quan, Marybeth Schmutz, Scott Fleming, Everett Mitchell, Elizabeth Bunn, Julie Martinez Ortega, Scott Kelley, Lorelei Christie, Emilie Woodd, Sofia Vera, Michael Ferrer, Ciara Malaugh, and Jill Esbenshade (via phone).

WRC Staff in attendance were Scott Nova, Theresa Haas, Jessica Champagne, Chelsea Rudman, Lynnette Dunston, and Ben Hensler (via phone).

Outgoing board members Maya Menlo and Sarahi Soto-Talavera joined by phone for the election of new board members.

The meeting was called to order at 9:36 a.m. by outgoing Board Chair, Maya Menlo.

Board Member Elections: Lorelei Christie motioned to nominate the four new USAS board members: Emilie Woodd, Sofia Vera, Michael Ferrer, and Ciara Malaugh; Jim Wilkerson seconded the motion. The new USAS board members were unanimously approved.

Board Officer Elections: Scott Fleming motioned to nominate Jim Wilkerson to serve as Board Chair; Katie Quan seconded the motion. Jim was unanimously elected. Lorelei Christie motioned to nominate Emily Woodd to serve as Treasurer; Michael Ferrer seconded the motion. Emily was unanimously elected. Katie motioned to nominate Jeff Hermanson for Secretary; Scott Fleming seconded the motion. Jeff was unanimously elected.

Board Meeting Minutes of June 12, 2015: Scott Fleming motioned to approve the minutes and this was seconded by Lorelei Christie; the minutes were unanimously approved.

Executive Director's Report: Scott began by reporting on new affiliates over the past two years. He noted the first affiliation of a historically black college, Spelman, and the affiliations of the remaining two ivy leagues schools, Yale and Dartmouth. Scott then provided an update on the WRC's partnership with the Norwegian National Pension Fund's Ethics Council. The WRC completed investigations at five factories in Cambodia on behalf of the Council. Examples of findings included child labor, systematic pregnancy discrimination, systematic dismissals of workers with union ties, forced and excessive overtime, mass dismissals without proper compensation, urgent building safety hazards, unlawful wage deductions, forced overtime, management-controlled unions, and severe restrictions on bathroom use. At one factory in particular, Chih Hsing, management dismissed the entire workforce and has only made partial compensation. The WRC will continue to work on making the terminated workers at Chih Hsing whole in addition to following-up with employers and buyers to address other identified labor violations. The WRC was asked to do additional follow up investigative work by the Council. The WRC has signed a new agreement with the Council; the upcoming project will involve research at eight garment factories in Vietnam, which will include both worker interviews and on-site investigations. The WRC will combine this work with assessments of at least two collegiate factories. The work will be challenging given long-standing obstacles to effective investigation in Vietnam, which include absence of independent civil society groups operating in

the labor rights sphere. This will be a good opportunity to expand work in Vietnam, with support from new financial resources. Scott noted the excellent work done on the Cambodia project by the Southeast Asia Field Director Bent Gehrt.

Next, Ben provided an update on Gokaldas Exports in Bangalore, India where the WRC investigated the death of a worker's child in care of an employer-run nursery. Gokaldas Exports is the largest garment manufacturer in India. Last year, a worker's two-year-old son fell unconscious while in the factory's nursery. After the child fell unconscious, he was taken to a number of health facilities that did not treat him, before being taken to the correct hospital where he was announced dead upon arrival. The WRC found that the nursery was not in compliance with applicable safety laws. The nursery lacked a caregiver with appropriate training in nursing or pediatric healthcare and lacked a legally required ambulance for use in emergencies. The factory provided only \$2,400 (equal to two years' wages) to the family for compensation. The WRC contacted the factory owner and buyers and recommended both corrective action and additional compensation. The FLA also conducted an investigation confirming the violations. The factory did remedy child care and first aid violations and agreed to pay \$11,000 additional compensation (equal to nine years' wages) to the family of the deceased child. The WRC's next step is to check other factory nurseries in Bangalore to ensure compliance.

Ben continued with an update on the prosecution of union leaders in Cambodia. After wage protests in 2013-2014, factory owners pressed back by criminally prosecuting garment work union leaders. Factory owners filed criminal complaints against six national union leaders over "damages" from wage protests. Human Rights Watch called the criminal charges "trumped-up and "politically motivated." The charges were used to suppress advocacy over the minimum wage. In the spring, the WRC wrote to 45 brands, retailers and licensees urging factories to withdraw the criminal complaints. Several brands have stepped forward and taken action, including adidas which publicly stated the charges were "without merit" and "should be withdrawn." However, many brands have refused to take action. The WRC will continue to monitor the situation and update the Board as needed.

Ben continued with a discussion on Myanmar/Burma. Burma is expected by some brands to be among the top three garment-sourcing countries by 2020. The sourcing attraction is a result of extremely low wages (rivaling Bangladesh for cheapest in the industry). Up until last month, the country did not even have a minimum wage. Workers previously earned as low as US\$0.35 per day. The new legal minimum wage is US\$2.80 per day. Burma will be an important country to track in the next few years and significant focus of the WRC as collegiate licensees start to source from Burma.

Next, Jess provided an update on Style Avenue, a Salvadoran producer of university logo product for Outerstuff and College Kids. The factory first appeared on the WRC's radar in 2011 after violations surfaced of workers being locked in the factory, excessive heat levels, forced overtime, and verbal abuse. In the end of January 2015, workers reported that production was suspended at the factory due to material shortage and, as a result, workers were furloughed. The Ministry of Labor ordered that \$11,835.87 be paid to workers by March 25; however, the factory refused to pay. In April, the WRC contacted Style Avenue, and then in May contacted licensees. In June, Style Avenue provided full back pay.

Jess continued with a discussion on Petralex, a factory in Honduras producing university logo product for Box Seat, Outerstuff, Team Athletics, Gear for Sports, VF, and the Dallas Cowboys. The factory has a history of severe violations dating to back to 2007, terminating nearly 200 workers for union activity. In March, the WRC investigated a complaint that nine union leaders and members, and six family members of union members, were illegally terminated in retaliation for union activities. The WRC released a report documenting systemic labor rights violations and recommended reinstatement of all terminated union members and relevant family members, with seniority and back pay. With substantial pressure from brands, the factory agreed to offer reinstatement with back pay to all of the workers. Labor-management meetings have been ongoing since June and an agreement was signed between management and the union. The FLA also investigated this case, reaching conclusions similar to the WRC's, and the two organizations coordinated on remediation efforts.

Jess then updated the Board on Industrias de Exportacion (INDEX) which is also located in Honduras and supplies to numerous of university licensees, including adidas, Under Armour, Gear for Sports, Knights Apparel, VF Corp., and Dallas Cowboys. Violations identified by the WRC include wage theft, off-the-clock work, gender discrimination, failure of statutory benefits and paid time off, and occupational health and safety violations. The WRC was able to achieve partial remediation, most significantly the elimination of off-the-clock work, and back pay for workers for one year. The factory has also made improvements in ergonomics, bathroom facilities, chemical storage, and accommodations for pregnant workers. Two major areas where the factory refused to make adequate improvements are (1) legally required child care and (2) worker representation on the safety and health committee.

Next, Jess delivered a brief update on Alta Gracia. This past month there has been a change in union leadership and the union is scheduling new elections for a full-time secretary general.

Jess concluded with an update on Jaba Garmino in Indonesia. The factory was disclosed as a supplier of licensed apparel to Haddad Apparel, which subsequently claimed to have never had business there; the WRC finds Haddad's position credible and believes the incorrect disclosure product of error by Learfield in assembling factory data. Having launched an investigation, the WRC resolved to bring the work to completion. In 2015, the factory ceased production without paying legally owed severance benefits and final wages. Workers are owed a total of \$10.8 million. The WRC has contacted the key buyers at the factory to recommend that these buyers take the necessary steps to ensure workers are made whole, including, if necessary, directly providing funds to workers themselves. To date, none of the buyers has made this commitment.

Theresa then provided an update on Tex-Ray Swaziland, a collegiate supplier for VF Imagewear and non-collegiate supplier for VF Corp. (Nautica), Dickies, and Carter's. On September 5, 2014, workers in the factory were sickened after exposure to toxic chemical fumes. Symptoms included nausea and vomiting, chest pains, burning sensation in throat and chest, severe headache, dizziness, difficulty breathing and loss of consciousness. The WRC investigated the mass poisoning and found that the chemical practices at the facility violated Swazi law and university codes of conduct. The factory lacked adequate ventilation, failed to provide appropriate protective equipment, and failed to establish a legally mandated Health and Safety

Committee. During the WRC's investigation, the factory closed, for reasons unrelated to the chemical poisoning. The WRC recommended several remedies to the health and safety violations, including that Tex-Ray (1) provide medical examinations by qualified physicians to affected workers and provide any additional treatment necessary; (2) negotiate with the union concerning compensation for workers related to the chemical incident; and (3) conduct OHS assessments and chemical management trainings at the remaining Tex-Ray facilities in Swaziland. Tex-Ray has agreed to the OHS assessment and training. Unfortunately, despite general commitment from VF to act on the WRC's recommendations there has, to date, been no progress made on compensation and follow-up medical care for workers.

Theresa and Chelsea then reported on the redesign of the WRC's website. The contracted developers have sent a third and nearly final version of the homepage, which they showed to the Board. The Board then provided feedback on the draft homepage and social media tools. Chelsea also noted plans for a redesign of the WRC logo.

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

Update on Bangladesh: Scott provided an update on the Accord inspections. There is concern over the delays in completing renovations. There are over 34,000 separate safety renovations and upgrades reported complete in 1,124 factories. So far, 6,500 of these renovations have been verified as complete through follow up inspection in 402 factories. Scott stressed that every one of the renovations reduces the chance of a fire, or makes a fire escapable if one should happen, or reduces the chances of structural failure and therefore makes a fatal disaster less likely. It also important to note that there has not been a worker fatality in any Accord factory post inspection, so far. With all that said, almost all factories (90 percent) are behind schedule on one or more renovations. Most factories are delayed by six months or longer on at least some renovations. A number of factors contribute to the delays, including logistical challenges in some cases, such as the need to import certain equipment that is not made in Bangladesh (i.e. properly rate fire doors and automatic sprinkler systems). However, the primary cause of the delays at most factories is the failure of brands and retailers to compel their factories, as the Accord obligates them, to get the renovations done in time; and in some cases, there has been a lack of financial support. Determining whether there has been sufficient support has been complicated by another problem: brands reporting inaccurately on their financial arrangements with factories. The WRC worked with the International Labor Rights Forum and other groups to conduct an evaluation of H&M's compliance with safety action plans. H&M is considered the single most important brand of the Accord because they are the biggest buyer in Bangladesh, with almost 270 factories in the country; they are also on the Accord Steering Committee. The analysis, which focused on H&M's gold and platinum factories and relied exclusively on the Accord's extensive public reporting on factory-specific progress, found that 16% of these "better" H&M factories have not removed their lockable doors; 51% have not removed sliding doors and collapsible gates; and 61% have not enclosed their stairwells and installed fire doors. This is the first time the WRC has publicly criticized an Accord signatory brand for failure to comply – the WRC felt, at this juncture, that public pressure is needed to increase brand compliance. Fortunately, under the accord, there are mechanisms to address compliance problems: formal enforcement mechanisms (which the signatory unions are utilizing), shared governance power (which the labor and NGO

signatories are using to press for more aggressive policies on holding factories to remediation deadlines), and transparency (which allows for public accountability for brands, as exemplified by the H&M report).

Scott also briefly mentioned related issues in Bangladesh, including the government's increasingly frequent practice of refusing to recognize unions in factories where they have met the legal threshold for recognition. The WRC is working with various labor rights and advocacy groups to push the government to cease denying legitimate union registrations. Additionally, the government has just, after a long delay, promulgated regulations to implement the labor law reforms that passed in 2013 in the wake of the Rana Plaza collapse; however, the regulations are problematic in many respects. One of the provisions of the new law is that there has to be an OHS committee at each factory. The implementing regulations, unfortunately, empowers another set of bodies called worker participation committees to appoint members of the OHS committees, rather than having an OHS committee election. The worker participation committees are notoriously employer dominated and/or dysfunctional and there is nothing in the regulations that is likely to change that. This will make the Accord's efforts to build meaningful OHS committees considerably tougher.

Gildan Activewear: Scott discussed the general challenges the WRC has had when dealing with Gildan. Gildan is now the largest t-shirt provider in the world. Gildan is not only a brand, but a producer as well and one of the largest makers of blank shirts for university licensees. Gildan has pursued what the WRC believes is a conscious strategy of responding to findings of violations by engaging and making promises to address issues, in order to avoid open conflict, and then dragging their feet on an ongoing basis while denying that they are doing so, so that long periods of time pass and the violations never get fully addressed. The WRC has engaged Gildan on this, in the hope of getting the company to take a more constructive approach. Recently, the WRC has received an encouraging response from senior executives at Gildan, who have pledged to take a more engaged and effective approach. The Gildan Villanueva case previously reported at the last Board meeting is a positive example where an agreement was reached quickly to reinstate illegally terminated union leaders; one of the fastest and complete resolutions of this nature. In Haiti, where Gildan has been the biggest foot dragger in terms of actual progress on fulfilling its commitment to correct minimum wage violations, solid movement has occurred in recent months. The WRC will continue to evaluate Gildan's performance and report to the Board as needed.

The meeting was adjourned at 3:54 pm.