

Minutes of the WRC Board Meeting October 18, 2013

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

Outgoing board members Tina Treviño-Murphy, Karen Li and Mary Yanik joined by phone for the election of new board members.

Observers in attendance were university representatives Fernando Morales, Arizona State University and Joe Ebaugh, University of Maryland.

The meeting was called to order at 9:15 a.m. by acting board chair, Jill Esbenshade.

Jim Wilkerson motioned to nominate the five new USAS board members: Jose Godinez, Maya Menlo, Rob Battista, Sarah Newell, and Youbin Kang; Elizabeth Bunn seconded the motion. The new USAS board members were unanimously approved.

Agenda Review: The agenda was reviewed without objection.

Board Meeting Minutes of June 7, 2013: Elizabeth Bunn motioned to approve the minutes and this was seconded by Everett Mitchell; the minutes were unanimously approved.

Executive Director's Report: Scott began by noting that the WRC had contracted with a new field consultant, Laura Gutierrez, who will be helping WRC as a second representative in Bangladesh, in addition to Mehedi Hasan. Scott then reported that three new universities had affiliated: University of Pittsburgh, University of Birmingham in the UK, and Eastern Illinois University. Additionally, the National Union of Student Services Limited, which is the body that purchases apparel and other goods for university stores across the UK, began its long-planned affiliation with the WRC. Scott then briefly discussed an upcoming WRC research report on the poor labor rights situation in Vietnam, a major producer of collegiate apparel. He explained that the difficulty of doing meaningful factory level monitoring work in the country makes it important for the WRC to offer a detailed overall assessment of conditions, so that universities understand the challenges to code compliance at the factories in that country where their goods are made.

Jess then provided an update on the PT Kizone case and the distribution of funds from adidas. The terms of the agreement between adidas and the PT Kizone union prevented either party from disclosing the amount distributed to workers; however, after the distribution the WRC interviewed 31 workers who disclosed to the WRC the amounts they received. The WRC compared these amounts with the amount to which these workers were entitled based upon calculations performed by the Ministry of Manpower. Based on those interviews, the WRC calculated the total amount paid-out to workers was \$1.02 million. There may be a second transfer of funds dependent on the

outcome of the bankruptcy proceedings that remains in process. To date, workers have been paid a total of \$2.5 million, with an outstanding amount of roughly \$600,000, which the WRC believes workers will be paid either through the bankruptcy proceedings or by adidas if the proceedings do not yield the full amount still owed to workers. The WRC concludes that adidas is now in compliance with respect to PT Kizone, given the company's assumed commitment to pay the additional funds to workers pending the outcome of the bankruptcy proceedings. Scott noted other recent examples of unpaid severance cases where the WRC has helped to achieve a positive resolution, including the Hawkins factory in Honduras and the Gama factory in El Salvador.

Scott then discussed another factory closure case in Cambodia involving 2,000 workers who were not paid terminal compensation. The major buyers at the factory were Walmart and H&M. Large demonstrations held by workers received international press attention. The WRC did not work on the case officially since there was no collegiate connection; however, the WRC informally facilitated some of the discussions with worker representatives. Ultimately, Walmart and H&M compelled their direct supplier to pay some of the workers, a significant departure for the former.

Scott reiterated that a long-term solution to the widespread problem of unpaid severance is for factories to set aside funds in advance for severance pay. Brands will then have to pay factories a price commensurate with the costs of producing in compliance with severance laws and workers will be protected. Scott noted that a strategy discussion about how to move the industry toward a comprehensive solution along these lines is necessary.

Committee discussion on potential Model Code revisions: The following committees were re-formed to address potential revisions to the WRC Model Code of Conduct:

1) Committee for Discussion Framework:

a) University as retailer – Mike*, Jim and Youbin

2) Code Revision Committees:

a) Severance and instability provision – Jill*, Jeff, Jose, and WRC staff

b) Strengthen freedom of association and China – Jeff*, Katie, Marybeth, Elizabeth, Maya, Ben, and Tony Fung from WRC staff

c) Strengthen disclosure – Marybeth*, Mike, Jeff, and Youbin

d) Temporary workers and migrant rights – Marybeth*, Katie, Elizabeth, and Sarah

e) Health and safety – WRC staff

* indicates committee conveners

Each committee is to submit proposed language to Lynnette Dunston by December 15.

Fire and Building Safety in Bangladesh: Scott began by providing an update and some background information on the fire and building safety crisis in Bangladesh, reviewing the causes of the crisis and the failure of traditional corporate auditing to address it effectively. HE noted the following:

-The vast majority of garment factories in Bangladesh are unsafe, particularly in terms of fire safety.

-All of the factories where major disasters have occurred were repeatedly monitored by corporate auditors, which failed to detect and remedy the violations that led to worker deaths. Conflicts of interest, lack of transparency, and other flaws have caused these monitoring systems to be ineffective. One of the most crucial flaws is that licensees and other brands use generalist social auditors rather than competent safety engineers and do not carry out detailed fire, building or electrical assessments. The social auditors have little knowledge on building, fire or electrical safety. In addition, most audits do not even look at such vital issues as whether a building has proper fire exits and whether the building structure is stable.

-Brands have for some time acknowledged that most factories need extensive renovations and repairs but have not in the past been willing to help pay the costs. We need to solve this problem – which is a political and economic problem, not a technical one – in order to protect workers.

-The Accord on Fire and Building Safety was developed by the WRC, other NGOs, and international and Bangladeshi unions. Under the Accord, signatories agree to: (1) require factories to submit to thorough, independent inspections with full public reports, (2) ensure that factories undergo all necessary renovations, with funding provide, as needed, by the brands, (3) end business relationship with any factory that refuses to become safe, (4) make a 2-year commitment to safe factories, and (5) ensure a central role for workers and unions, including union access, worker-led OHS committees, protection for the right to refuse dangerous work. Over one hundred companies, including H&M, the largest buyer in Bangladesh, have signed the Accord.

Scott then went on to discuss the alternative plan created by Gap/Walmart called the "Alliance for Bangladesh Worker Safety." Member companies of the Alliance for Bangladesh Worker Safety are not obligated to pay for renovation and repairs. There are additional concerns about the Alliance, including the fact that brands maintain control over the inspection process, lack of worker involvement; no mention of right to refuse dangerous work and lack of effective enforcement mechanism. To date, there are 23 signatory companies including VF, Walmart, Gap, Target, JC Penney, Kohl's and Children's Place.

Scott went on to provide an update on Accord implementation. There was originally a plan in place to inspect all factories by the end of April 2014; however, this plan was developed at a time when the estimate of factories covered was 800. The current estimate is 1,800. Therefore, the work will take longer, probably until late summer of 2014. There is an emergency protocol in place to affect quick shutdown of factories where there is imminent danger. The first ten official inspections are planned for November. Key Accord staff have been appointed and a legal infrastructure has been put in place. Factory data has been collected and publicly posted for more than 1,600 factories.

USAS representatives then proposed that the WRC issue make a policy recommendation to affiliate universities and colleges that their licensees sourcing from Bangladesh be required to sign the Accord.

The Board discussed the proposed language. Sarah Newell motioned that the WRC adopt the propose language and Maya Menlo seconded the motion. There was extensive discussion. The motion was then unanimously approved. The approved language is as follows:

"Recognizing the terrible loss of life among Bangladeshi apparel workers over the last year;

Recognizing the grave ongoing threats to the safety of workers in that country, including workers producing university logo apparel;

Recognizing that there is no labor rights goal more fundamental than preventing workers from being killed on the job;

Recognizing that the Accord on Fire and Building Safety in Bangladesh, now signed by more than 100 brands and realizers, is a ground-breaking agreement that holds the promise of bringing an end to the mass fatality disasters in Bangladesh garment factories; and

Recognizing that participation in the Accord is the surest way for licensees to protect the safety of workers in their supply chains in Bangladesh;

The WRC recommends that colleges and universities add, to their existing labor rights requirements for licensees, a requirement that licensees that sourced, produced or purchased collegiate apparel in Bangladesh as of January 1, in 2013, or do so at any point thereafter, become signatories to the Accord on Fire and Building Safety in Bangladesh."

Scott stated that all affiliates will be notified of the policy recommendation shortly.

At the end of the discussion, it was noted that the organization needs to consider providing Board Members with greater prior notice of such policy proposal before action is taken.

Update on Haiti/Minimum Wage: Ben reported on the widespread wage theft in the Haitian garment industry. The WRC conducted a ten-month study, led by WRC Latin America/Caribbean field director Sarah Adler-Milstein and DR/Haiti field representative Ruairi Rhodes, which included interviews with 72 workers from 5 garment factories, an analysis of 230 worker paystubs, and daily logs of working hours kept by 23 workers. At every single factory surveyed – and, the WRC believes, at all garment factories in the country – production workers were being cheated out of roughly one-third of their pay on average. These factories supply many brands, including Gap, Gildan, Hanes, Kohl's, and Levi's, among others and are significant suppliers of collegiate apparel. Wage theft in Haitian factories is well-known to brands and retailers, as it has been reported repeatedly by the ILO/IFC Better Work Haiti factory monitoring program. Better Work has found wage violations consistently since it began its monitoring in Haiti in 2011. The wage theft is not just occurring in Haiti's capital, Port-au-Prince, but also at the country's newest factory, Caracol, which is a complex in the north of the country whose construction was subsidized by the US government and the Inter-American Development Bank.

The average take-home pay for Haitian garment workers is insufficient to allow them to provide

three meals per day for their families. Most workers live in slums, others live in squatter camps in makeshift housing constructed of scraps, cloth tarps, and dirt floor. Workers frequently fall into debt just to afford basic necessities.

The WRC has just issues its report on the wage theft issue, which was covered in the New York Times, and has made a series of remedial recommendations to licensees and other buyers. Discussions with brands, retailers, and licensees have begun.

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

Field Staff Update: Jess reported on Centex in Nicaragua, which produces collegiate apparel for Gear for Sports International and Under Armour. On May 1, 21 workers formed a union and on the following day, three of the workers who participated in the union assembly were terminated, two of whom were union leaders. On May 6, an additional 12 workers who had participated in the assembly, four of whom were union officers, were dismissed, after management found the list of union members. In the following days, management also made threatening comments to union members. The WRC investigated, documented the violations, and notified licensees, with recommendations for remedial action. The licensees informed the WRC that they were engaging with the factory. Centex management then pressured workers to accept compensation and relinquish their claim to reinstatement. The workers again reached out to brands. Brands have brought in a new mediator for sessions between management and workers. Further updates will be provided.

Jess then provided an update on SAE-A, a major Korean producer that operates in Nicaragua. Collegiate buyers include Under Armour and Gear for Sports. Other buyers include Kohl's, Target, JC Penny and Walmart. As previously reported, 16 workers were illegitimately terminated in retaliation for their associational activities. There was also a violent management-supported attack on workers peacefully protesting outside of the facility. Workers and union leaders were being subjected to death threats by Nicaraguan government officials as a result of their advocacy on the case and they are filing a request for protective and precautionary measures with the Inter-American Commission on Human Rights.

Despite strenuous WRC efforts, progress toward a resolution has been slow. The company has agreed to re-hire some of the workers but is continuing to refuse to reinstate two of the key worker leaders. The WRC is continuing to engage the buyers and will be releasing an update to universities.

The meeting was adjourned at 3:35 p.m.