

Minutes of  
WRC Governing Board  
May 25, 2005

Attending: Mary Nagle, Liana Dalton, Mark Iozzi, Doug Shaw, Jim Brudney, Jim Wilkerson, Marcella David, Thea Lee, Mark Barenberg, Jill Esbenshade, Katie Quan, Alejandra Domenzain, and Scott Nova. Also attending in part were Anne O'Rourke, Nancy Steffan, Bethany Toole, and Allie Robbins (USAS). Attending by phone was Jay Marano. Also attending briefly by phone for the ratification of new members were Jennifer Chien and Colin O'Malley. Unable to attend were Kirstin Jackson and Jennifer Chien.

**Officers, Agenda, Minutes, and Elections:** The meeting began with a vote to unanimously approve Mary Nagle to succeed departing Board Member Colin O'Malley as chair. The Board then voted unanimously to ratify the new and returning Board Members: new University Caucus Representative John "Jay" Marano (Carnegie Mellon University), returning University Caucus Representatives Marcella David (University of Iowa) and Jim Wilkerson (Duke University); new Advisory Council Representative Alejandra Domenzain (Sweatshop Watch); and new USAS Representatives Liana Dalton (University of Wisconsin-Madison) and Mark Iozzi (Western Washington University). The departing Board Members were thanked for their services: University Caucus Representative Chris Howell (Oberlin College) and USAS Representatives Colin O'Malley (University at Buffalo) and Jamil Barton (University of Chicago). The agenda and minutes were also unanimously approved. It was noted that the rotation of officers will occur at the next Board Meeting.

A brief discussion of executive session minutes followed. There are currently two confidential documents from the January 2005 Board Meeting that are currently filed at the WRC as sealed copies, with Jim Wilkerson keeping copies as well. It was decided that in future, the person who creates minutes for an executive session will send a sealed hard copy to the Administrative Director at the WRC where they will be kept on file and copies will be sent to all Board Members.

**Executive Director's Report:** Treasurer Jill Esbenshade indicated that the audit committee evaluated and approved the financial reports. Scott continued with a report on WRC finances calling attention to the recently completed Fiscal Year 2004 audit and summarizing that for the current fiscal year, projected income totals \$1,024,000 plus last year's carry-over surplus of \$25,000, and projected expenditures total \$1,042,000. It was noted that these figures include a pass-through grant from the State Department for a joint project in Turkey that should be subtracted to leave the WRC with a total of \$787,000 in income and \$711,000 in expenditures. Based on the advice of WRC auditors, unpaid affiliate fees of approximately \$12,000 have been removed from income totals. Total income for the year is approximately \$50,000 below initial projections due to less-than-expected foundation revenues, partially offset by higher government grants and affiliate fees. Expenditures are approximately \$70,000 under budget.

A discussion followed of unpaid affiliate fees. It was summarized that there are a range of explanations including a number of schools who continue to pledge to pay. It was generally agreed that the fee requirements should be enforced and should be considered distinct from universities that make a good faith effort regarding disclosure data but need additional assistance to fully comply with these requirements. It was decided that the WRC should communicate with universities with unpaid affiliate fees in a two-letter cycle, keep students and Board Members updated on these communications, and report the outcomes to the full Board. It was pointed out

that the 2004 audit indicates the WRC spends approximately 84% on program expenses compared to administrative and fundraising expenses, which is a good ratio for a nonprofit. Marcella David was thanked for her assistance in facilitating the payment of a previously awarded \$20,000 grant from the University of Iowa. It was confirmed that the current reserve fund totals approximately \$75,000, which is close to the goal of one-month operating expenses.

A small donor program was discussed summarizing that the current status is mostly passive, that a visible website device would be helpful, that designating a purpose for restricted gifts would be helpful especially targeting supporting students in pro bono activity possibly internationally or at the WRC, that the WRC should also consider the related publicity benefits and possible year-end giving opportunities, that students could help develop this program and provide contacts, that there may be opportunities in conjunction with existing programs such as those at Columbia University, that faculty may be supportive, and that the WRC should be mindful of covering overhead compared to taking on new expenses. It was agreed to study these ideas and report back to the Board.

Scott listed the institutions recently affiliating or announcing their intention to affiliate: the University of Colorado, the University of Chicago, Michigan State University, Washington University in St. Louis, SUNY Buffalo, Wayne State University and Kenyon College. It was suggested that the WRC seek possible opportunities such as offering presentations in conjunction with such groups as the Association of Labor Educators (that meets annually in April) and INTEL (a labor law network).

There was also some discussion of the joint project in Turkey and its value including the potential to make valuable data public such as releasing factory names along with figures for volume production and key suppliers. A discussion of MFA issues followed including calling attention to meeting materials on the recently-adopted WRC policy position and summaries of the various positions universities are taking, reference to the MFA discussion at the April 29 University Caucus Meeting, and the importance of volume disclosure to enable monitoring sourcing shifts. Preliminary trade data was discussed showing shifts as high as 1500 to 1800% for imports from China of certain items, and the status of government action to implement special safeguards and temporary quotas that are expected to slow the pace of change without changing ultimate outcomes. It is expected that these shifts may be evident in WRC data as early as the first or second quarter. In discussing volume disclosure, it was explained that some process issues need to be addressed and that Scott will email the Board about the participants and scheduling of a planned call with licensees to discuss providing volume data for the past year and future years. It was also clarified that there has been no significant change in communications with VF and the situation is being monitored.

There was also an update on potential WRC involvement in code enforcement for cities, states, and school boards. It was summarized that an RFP is pending for a pilot project with the City of Los Angeles that would include two investigations and related activities. It is likely that the WRC will consider no more than four to five such pilot projects and the primary candidates include Los Angeles, San Francisco, Connecticut and Catholic school boards in Ontario. Issues raised in the discussion that followed included the potential value of having a larger factory population from which to identify the most valuable investigation opportunities, the importance of giving priority to cases where collegiate and non-collegiate factories overlap to optimize limited resources, the potential benefits of such pilot projects in advancing the mission of the WRC by assisting other entities with ordinance enforcement and contributing to the long-term financial stability of the WRC by reducing its dependence on grants, the need to use these pilot projects to assess different supply chains and their implications for effective approaches to

ordinance enforcement, the possibility of helping cities to form their own consortium, and helping cities consider a model of building relationships with activists and other diverse constituencies.

The next update focused on the May 6 meeting with Coca-Cola attended by representatives of several individual colleges and universities. Coca-Cola recently hired Ed Potter to lead a new program on global human rights and contracted with Cal Safety to conduct an investigation in Columbia. Ed Potter attended the May 6 meeting and a separate meeting with the WRC. It was decided that the WRC will email the public transcript of the May 6 meeting to all WRC Board Members. Overall, universities have encouraged Coca-Cola to take action in Columbia in addition to monitoring the current court case and address additional issues in India. Coca-Cola is now forming a commission including university representatives to pursue next steps including designing a possible independent investigation. It was generally agreed that the WRC should welcome dialogue with Coca-Cola and engage for as long as conditions permit; and that the WRC should consider participating in the commission as long as both union and corporation representatives are present or both are not present. The Board expressed thanks to Glen Fichman of the University of California – Los Angeles who continues to serve as a contact person for these issues.

**FY 2006 Budget Proposal and Discussion:** The Board and Scott met in executive session to discuss the FY 2006 budget.

**Licensee Obligations:** The Board thanked Jim Wilkerson for his work on this issue including an excellent presentation and related materials including a model letter to licensees. Issues raised in the discussion that followed included that it would be helpful to create subheadings or categories for the list of obligations, that it might be helpful to convene a small group of brands to discuss compliance, the importance of finding the best approach to avoid excessive duplication of contacts by considering a joint statement or a letter from the WRC (or from the CLC and LRG) on behalf of the authorizing universities, a substantive question of clarifying the WRC's overall focus on noncompliance events by adding that WRC comments on positive compliance may be limited to the subject matters of investigation, editing language concerning the refusal by a factory to cooperate in granting access to avoid any unnecessary contentiousness, the value in educating new licensees about obligations and clarifying obligations for all licensees, the usefulness of FLA practices and CLC contracts in making obligations clear, an editing change to the title of the model letter to cite "University Codes of Conduct" rather than the "WRC Model Code", a comparison of FLA and WRC obligations concluding that the obligations are similar with the exception of the FLA not having a living wage provision that some university codes contain and the need to further compare WRC and FLA language on "cut and run" issues, the need for further edits including deciding between "must" and "should" language and editing the current paragraph on remediation to clarify "cut and run" issues that are not really contradictory but may appear so without adequate explanation, and the implications of deciding to make a joint statement that requires enabling the most institutions to buy-in versus a model letter that each institution can edit. It was decided to form a working group to consider format and content issues including the potential for the CLC and LRG to act as a communication agent. The working group will be Jill Esbenshade, Jim Wilkerson and Doug Shaw, and Liana Dalton and Mark Iozzi. It was confirmed that the University Caucus can act by email if action is required before the next annual meeting.

**Scheduling the Next Board Meeting:** The next Board meeting was tentatively scheduled for October 17, 2005. Given the relatively long interval between meetings, a conference call will be considered if necessary if any urgent business arises.

**Report on the University Caucus Meeting:** Jim Brudney reported on the April 29 University Caucus Meeting attended by representatives of 26 universities and colleges and eight WRC staff including Tony Fung, the newly hired Field Director/China. There was an update on the March 23 meeting at Duke University where a joint statement has now been agreed to by the eight attending universities and three key licensees. The statement asks licensees that are currently sourcing goods from the countries worst hit by the December 26 tsunami (Sri Lanka, Indonesia, and Thailand) to take all reasonable steps to ensure that they do not reduce production in those countries, at least for the next 24 months. Additional highlights included Tony Fung's report on barriers to code compliance in China, updates on MFA policies of individual universities and colleges and the importance of volume disclosure to enforce these policies, a helpful discussion of university purchasing codes, and excellent presentations on apparel wages and living standards and the economics of apparel production and labor costs where it was summarized that little progress has been made to date on wage increases and it was decided that an email would be sent to affiliates to follow up on the suggestion to undertake a pilot study. Overall, it was agreed that it was an engaged and valuable meeting and that it is helpful to have field staff present at University Caucus and Board Meetings. The Board joined in thanking Doug Shaw for enabling the meeting to be hosted again by Georgetown University and welcoming Jay Marano (Licensing Coordinator at Carnegie Mellon University) to the Board.

**Apparel Price Discussion:** The session began with an overview of this important issue that receives relatively little attention in code of conduct discussions – the relationship between the prices paid to factories for their products and the wages and working conditions in those factories. It was stressed that legal minimum wages, even when enforced, are based on market pressures rather than workers' needs. The fundamental question is how entities like the WRC, FLA and universities can move their impact to the next level. With few exceptions, the improvements made at individual factories have not included wage increases and MFA phase-out increases the challenges of code compliance. Overall, the apparel industry is structured so brands source from subcontracting factories that they do not own and these factories face severe price pressure and competition. While labor is a very small factor in costs (estimated .90% of retail cost depending on the item) it is the factor most easily controlled by factories in an environment desperate to lower costs. Factories have no room to maneuver but brands may have the ability to raise labor prices in the context of code compliance. In the discussion that followed, Katie Quan offered to provide additional sources of data to the U.S. customs data presented and suggested adding data for the U.S. to the materials presented on global wages. It was agreed that the WRC should focus on this overall issue as it creates a ceiling on progress and creates the unfortunate situation where factories that act to comply with codes may face higher costs and become less competitive and sustainable. Additional points raised included the potential for universities to consider lowering their royalties (now estimated at 8%), research showing that the ability to negotiate prices was more important in achieving compliance with minimum wage laws than even the most effective monitoring programs, the potential impact of rewarding factories that take positive action on code compliance with increased orders, the potential to take new approaches to brands in addition to the WRC focus on code violations, and the mixed record of attempts to create niche markets for ethically produced goods. It was decided to use the October Board meeting to continue a pricing discussion and to ask WRC staff to develop options to present.

**Adjournment:** The meeting was adjourned with thanks to all for their participation. An informal discussion followed about recent WRC investigation highlights.