

Minutes of the WRC Board Meeting February 17, 2017

Attending the meeting were Scott Fleming, Jill Esbenshade, Jeff Hermanson, Elizabeth Bunn, Marc Donabella, Ana Jimenez, Vyaas Shankar, Justin Valeroso, Kanisha DiCicco, Jim Wilkerson (via phone), Julie Martinez Ortega (via phone), and Kyle Muncy (via phone).

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

There was one observer in attendance: Angeles Solis, USAS.

The meeting was called to order at 9:27 a.m. by Board Chair, Ana Jimenez.

Agenda Review: Approval of minutes was shifted after lunch to give Board members the opportunity to review the minutes since they were not circulated in advance of the meeting.

Board Member Elections: Scott Fleming motioned to nominate Kyle Muncy to serve as a University Caucus board member; Elizabeth Bunn seconded the motion. Kyle was unanimously approved.

Executive Director's Report: Scott began by touching briefly on the recent US presidential election and the implications that the new administration may have on the WRC's work and funding. Scott noted that we are seeing a significantly different approach to international trade policy; however, he predicts the impact on the WRC's operation and labor rights work to be modest. He then continued with organizational updates. He announced that the WRC was awarded a grant from the Ford Foundation. It is the largest private foundation grant that the WRC has received. Scott then announced the WRC will be hosting a spring fundraiser on June 1 and encouraged the Board to attend.

Jeff Hermanson then provided a brief update on Fruit of the Loom/Russel Athletic regarding the historic agreement between the brands and the CGT union federation signed in 2009 to provide broad protection for freedom of association at factories for Fruit of the Loom in Honduras. There were recent negotiations to expand that concept to El Salvador. Fruit of the Loom has over 10,000 workers and eight plants in El Salvador. The recently formed garment union federation in El Salvador, which received much pushback during its formation, was able to reach an agreement with Fruit of the Loom. The agreement guarantees to respect freedom of association throughout their operations in El Salvador. The agreement is supervised by a bipartite committee: two representatives in labor and two from management. Jeff is serving as one of the labor representatives; the other labor representative is from the Centro de Estudios y Apoyo Laboral (CEAL).

Updates on Factory Investigations: Jess discussed a severance case in San Pedro Sula, Honduras. Rio Garment, a factory supplying university logo t-shirts to Tailgate and non-collegiate apparel to Gap, Gildan, and Walmart, unexpectedly closed on August 12, 2016, leaving 530 workers owed more than \$1.3 million in severance, wage, and other benefits. For five months prior to

closure, the factory failed to make contributions to the Honduran health care system and make payments to a saving and loan cooperative, and, instead, pocketed the funds deducted from workers' paychecks. On August 24, the WRC contacted Tailgate who in turn informed the WRC that on August 19, the factory owner advised Tailgate that the workers had been paid in full. It turned out that this claim was far from true. Rio Garment workers have formed a commission, hired lawyer, and filed a lawsuit against the factory owner and Gildan. In addition to Tailgate, the WRC has been engaging with two other key buyers, Gap and Gildan, since the closure. The WRC also attempted to contact Walmart but did not receive a substantive response. The WRC recently received a commitment from Gap to provide funds owed to workers at the time of closure and has received smaller offers Tailgate and Gildan, which the WRC is working to increase.

Jess noted how the WRC's focus on severance over the past eight years has impacted licensees. In 2009, universities took a strong stand to enforce university codes' requirement to pay legally required compensation, which is still having a ripple effect in the industry today. When two Nike suppliers in Honduras, Hugger and Vision Tex, closed, the WRC found that licensees were required to ensure full payment in these cases. In that case, after several universities cut their contracts with Nike, Nike paid the full amount due to workers. Beginning with those factories, the WRC has recovered approximately \$10 million for workers in severance cases by requiring licensees and other brands to ensure remediation. The WRC will keep the Board abreast of further development in the Rio Garment case.

Ben then discussed the importance of restitution in code of conduct remediation. He first began by explaining the two main forms of corrective action: injunctive relief and damages (restitution). Injunctive stops conduct that violates standards going forward, whereas damages (restitution) requires payment of monetary compensation to correct violations that have already occurred. US labor laws, including the FLSA, NLRA and WARN Act, uniformly require restitution for unpaid compensation, but this has not been the norm in the world of voluntary corporate codes of conduct. The WRC considers restitution to essential to achieving compliance with university labor codes in cases where workers have been denied legally mandated compensation. The WRC has secured over \$34 million in owed wages and compensation for workers.

Next, Jess provided an update on Premium Apparel, a factory in Port-au-Prince, Haiti, that employs 1700 workers and supplies collegiate apparel to New Agenda and Cotton Gallery via Gildan. Gildan is the largest t-shirt manufacturer in North America and the only buyer for Premium. In May, the WRC received a complaint from worker representatives at Premium Apparel about the unlawful dismissal of two union leaders in retaliation for their leadership in garment worker protests to demand that the government raise the minimum wage. Following the dismissals, the factory initially refused to reinstate the workers. Gerald Apaid, the owner of Premium, stated that workers could only return to work if the workers agreed to work at a different factory and if the union provided a written plan that pledged changes in their strategy that would prevent future disruptions. The WRC pressed Gildan to intervene, communicating to Gildan that the transfer of the dismissed workers would just exacerbate the initial violation of the

workers' associational rights and that transferring them would prevent them from carrying out their representational duties as union officers, denying other workers the right to be served by the leader they had chosen. Furthermore, requiring that the union change its policies is not only unfair to the terminated workers, who had the right to return immediately, but also violates workers' internationally respected right to independently govern and administer their union's programs and activities. After repeated communications between the WRC and Gildan with Apaid, the factory reinstated the two workers on August 1 and paid them back wages for the time they were off the job.

Ben continued with a report on Northstar Manufacturing in Mae Sot, Thailand and on a factory in Vietnam, assessed by the WRC on behalf of the Ethics Council of the Norwegian Government Pension Fund.

Nike Dispute and Hansae Vietnam: Scott provided an update on the ongoing debate between universities and Nike over factory access for university-designated monitors and specifically, in more detail, the efforts to address labor rights violations at the Hansae Vietnam facility. The onsite work at Hansae in October 2016 went well. The WRC had an excellent team in place, which included the WRC's regional coordinator, Bent Gehrt; two Vietnamese researchers/translators; and two US safety and occupational health investigators. The WRC ran into one glitch with the investigation which was the prevention by factory management of necessary photographs, but a resolution was reached allowing photographs to be taken. The WRC and the FLA, independently, ultimately reached conclusions that were entirely consistent with, and amplified, the findings from the WRC's offsite interviews that were reported on in May 2016. The WRC was able to further detail certain violations, confirm certain violations, and identify some modest improvements made in response to the May report. Scott summarized the findings at Hansae: excessive factory temperatures; excessive production quotas and harsh psychological pressure by management on workers to meet those quotas; workers collapsing unconscious at workstations; degrading restrictions on workers' access to factory toilets; forced and excessive overtime; falsification of records; solicitation of bribes by management in the hiring process of male applicants; discriminatory dismissal of pregnant workers; denial of sick leave; management domination of the factory's labor union; and more than two dozen other health and safety violations. The WRC produced a detailed set of recommendations for corrective action and shared those recommendations with the FLA and vice versa. The WRC, FLA, and Nike reached basic agreement on the corrective actions that are required, after the WRC asked for stronger and more detailed commitments in a number of areas. Three especially challenging areas for corrective action are cooling the factory below legal maximum temperatures; calculating a good faith estimate to retroactively compensate the thousands of workers for back-pay for off-the-clock work; and providing ergonomic chairs consistent with applicable standards. Nike pledged to obtain action plans from Hansae on these three issues, to be reviewed by the WRC, FLA and Nike prior to implementation. These have, as of yet, not been provided.

Scott reported that, unfortunately, Nike's auditors were among dozens of other industry auditors, including the Better Work Program, that had inspected Hansae Vietnam in past years and failed

to identify, or correct, the violations later identified by the WRC. This is one of the most powerful illustrations we've seen of the inadequacies of self-monitoring by brands.

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

Board Meeting Minutes of September 30, 2016: Elizabeth Bunn motioned to approve the minutes and this was seconded by Scott Fleming; the minutes were unanimously approved.

Next Board Meeting Date: The next Board Meeting was scheduled for June 2, 2017.

Labor Rights Crisis in Bangladesh and Accord Update: Jess and Laura discussed the new crisis situation in Bangladesh. Following peaceful workers protests in December calling for higher wages, 1500 workers were terminated and 34 union leaders and workers were detained and subjected to a long list of baseless criminal charges. The police forced union offices to close and carried out a campaign of harassment against the labor movement. Police have even interrupted ILO and US-funded events. This is the worst government repression of worker activism that the WRC has seen in Bangladesh since prior to the Rana Plaza collapse in 2013. Because of the severity of the situation, the plight of the individuals detained, and the large implications that it has for the ability of Bangladeshi workers to exercise their associational rights in the future, the WRC has devoted a lot of organizational energy, in junction with other human rights organizations around the world, in recent weeks in an attempt to persuade the Bangladesh government to release the detainees, drop false charges, reinstate fired workers and end the harassment. Within the last week, 24 workers/labor leaders were released from jail; however, at least 10 remain detained. The release of the workers/labor leaders is positive but not adequate because none of the charges have been dropped. The WRC will keep the Board updated on future developments. Scott also provided a brief update on the Bangladesh Accord.

The meeting was adjourned at 4:05 p.m.