

Minutes of the WRC Board Meeting January 25, 2013

Attending the meeting were Mike Powers, Marybeth Schmutz, Scott Fleming, Everett Mitchell, Katie Quan, Jeff Hermanson, Elizabeth Bunn, Mary Yanik, Tina Treviño-Murphy, Karen Li, Lili Hadsell, and Billy Yates. Jill Esbenshade joined by phone. WRC staff members in attendance were Scott Nova, Ben Hensler, Jessica Champagne, Theresa Haas, and Lynnette Dunston.

Observers in attendance were university representatives Craig Westemeier, University of Texas at Austin and Joe Ebaugh, University of Maryland.

The meeting was called to order at 9:18 a.m. by acting board chair, Mike Powers on behalf of Jim Wilkerson.

Board Member Elections: Mike motioned to nominate Everett Mitchell to serve as a University Caucus board member; Marybeth seconded the motion. Everett was unanimously approved. Jeff motioned to nominate Elizabeth Bunn to serve as an Advisory Council board member; Katie seconded the motion. Elizabeth was unanimously approved.

Board Office Elections: Marybeth motioned to nominate Mike to serve as Treasurer; Scott Fleming seconded the motion. Mike was unanimously elected. Jeff motioned to nominate Katie to serve as Board Chair; Marybeth seconded the motion. Katie was unanimously elected. Billy motioned to nominate Karen for Secretary; Mary seconded the motion. Karen was unanimously elected.

Agenda Review: Agenda was reviewed without objection.

Board Meeting Minutes of October 19, 2012: Jeff motioned to approve the minutes; Scott Fleming seconded the motion. Minutes were unanimously approved.

Executive Director's Report: Scott introduced the section on the factory fire at Tazreen Fashions Limited in Dhaka, Bangladesh. Theresa showed an ABC new piece and delivered a brief presentation about the fire. The fire, which occurred on November 24, 2012, broke out on the ground floor and quickly spread to the upper floors. Factory managers had initially told workers that the fire alarm was a false alarm and instructed workers to remain at their stations. There were no emergency exits and workers reported that several of the exit doors were locked. There were also only three fire extinguishers on each floor, which workers were not trained to operate. Workers broke holes through windows and exhaust fans to escape. Many workers suffered injuries during their escape. One hundred and twelve workers, most of whom were women, died in the factory. To date, only 59 bodies have been identified. DNA testing is being done for the remaining 53 unidentified bodies. The government has given no explanation on the cause for the delay in identifying the remaining bodies, which has made it impossible for the families of the unidentified victims to receive compensation. Families of the identified deceased workers were paid 600,000 taka (approximately \$7,500). Workers protested after the fire to express their outrage on this issue.

Following Theresa's presentation, Scott noted there has been a lot of difficulty getting medical care for the injured workers. Approximately half of the 150 injured workers have not received compensation or the proper medical care. It has also been difficult to identify the buyers. Holding buyers accountable is essential to generating impetus for change. The work of the Bangladesh Center for Worker Solidarity (BCWS) has been critical in this case. BCWS staff were able to gain access to the factory the day after the fire and photograph garments, labels and factory records. BCWS also found products produced for Wal-Mart, which had originally denied sourcing from the factory. Other Tazreen buyers include ENYCE by Sean Combs, Dickies, Disney, Sears, Soffe, and C&A. Many of the buyers initially denied having production at Tazreen and some are continuing to do so. Furthermore, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has failed to acknowledge the serious safety problems in the industry in Bangladesh that led to this and other fires and sought to blame the fire on sabotage by individuals carrying out an attack against the apparel industry in Bangladesh. The Bangladesh parliament also stated that the fire was an act of sabotage.

In investigating the Tazreen buyers, the WRC focused its research on Walmart due to the substantial production it was sourcing from the factory. During 2012, at least six different Walmart suppliers produced at Tazreen. Three of those suppliers were making Walmart garments at the time of the fire. Fifty-five percent of all Tazreen production two months prior to the fire was being done for Walmart. Walmart, in the months immediately preceding the fire had production in six of the ten factories operated by Tazreen's parent company. Walmart continues to take the position that while it did have authorized production at Tazreen in 2011 and 2012, it made the decision at an unspecified time to stop sourcing from Tazreen and that its suppliers were supposed to cease production at the factory. Walmart has not been willing to answer the question as to whether it actually notified its suppliers that the factory should no longer be utilized.

Scott noted that garment workers in Bangladesh are continuing to die in factory fires for numerous reasons: multi-story buildings; construction that ignores building codes; lack of adequate emergency exits; poor wiring; no training on evacuation procedures and fire safety equipment; and lack of worker representation. In the case of Tazreen, there were improper emergency exits -- there were no enclosed stairwells and the stairwells fed to the main floor of the building rather than leading outside. This is an industry-wide problem in Bangladesh. The WRC believes very few apparel factories in Bangladesh have proper emergency exits. There are no dedicated electrical safety or fire safety inspections and there is a lack of adequate expertise among auditors to carry out competent audits. Audits do not look at the most important issues: the physical structure of the factory and proper emergency exits. Even problems that are identified are often not addressed in a timely fashion or not addressed at all. Tazreen was audited by several customers including Walmart; however no corrective action was ever taken on safety issues found at the building and brands continued sourcing from the factory. All of the factories where workers have died in mass in the last two and half years in Bangladesh and Pakistan were repeatedly audited by industry auditors.

The following is needed to solve the fire safety problem in Bangladesh: dedicated fire and electrical safety inspections by qualified fire safety experts, with public results; mandatory repairs and renovations of these factories based on the results of inspection paid for by the buyer

(the WRC estimates that it will cost \$3 billion to transform the industry in Bangladesh); termination of any factory that will not comply; a requirement that a brand remove its orders from a factory that refuses to operate safely and shift that production to other factories that have been deemed safe; functioning worker-led health and safety committees and respect for freedom of association; and a mechanism to hold licensees, brands and retailers who pledge to make these steps accountable. The WRC has been working since the end of 2010 to develop a legally-binding safety agreement that brands and retailers can sign which will carry out these critical steps. To date, PVH and Tchibo have signed on. There have been discussions with other brands and retailers. The WRC is optimistic that the recognition of the fire and building safety issues in Bangladesh is going to create a foundation for genuine change in the months and years ahead.

Scott briefly discussed MJ Soffe, a collegiate licensee, which had been sourcing from Tazreen, although there was no collegiate production at Tazreen at the time of the fire. However, Soffe had failed to disclose Tazreen as a supplier at the time that it was producing collegiate apparel. Documents photographed in the factory after the fire showed Soffe products were being produced at the factory. The WRC contacted Soffe which acknowledges their failure to disclose Tazreen and stated that it had made internal changes designed to eliminate future disclosure problems. The WRC will be reporting to universities on this serious breach and its implications.

Jess reported on Exmodica in El Salvador, which employs approximately 330 workers and may be producing collegiate apparel. Workers have reported that apparel is being produced for adidas, and workers suspect that it was being subcontracted from other plants in the region. The factory is not disclosed by adidas as a collegiate supplier or in its overall disclosure list. Workers have also reported production for Nike. The situation at Exmodica came to the WRC's attention because Salvadoran courts found that the factory failed to pay wages to which workers were legally entitled during a shutdown in March 2012. When workers pursued their case regarding this back pay through the Ministry of Labor and ultimately through the courts, the owner retaliated against them, including verbally attacking and ultimately terminating 19 workers in May 2012. In addition to being illegally terminated, these workers were not provided the full severance to which they were legally entitled. Concerned about the employer's retaliation and verbal attacks, the workers began organizing a union in June 2012. The factory responded in a way that violated university codes both regarding freedom of association and regarding the clause that workers should be "treated with respect and dignity" and must not be subjected to "physical, sexual, psychological, or verbal harassment or abuse." A number of workers interviewed indicated that the owner repeatedly made intimidating and threatening statements to union leaders. Managers have also told workers that they should not speak with union leaders and have supported anti-union propaganda and have physically shoved union leaders, which has had a chilling effect on the organizing efforts. Additionally, the owner refuses to meet with the union.

The WRC has contacted both Nike and adidas. Nike has not provided a substantive response. Adidas replied that it had not had an authorized commercial relationship with Exmodica since 2009 but has acknowledged that unauthorized production through subcontractors occurred twice since 2009. This poses a problem with disclosure and supply chain accountability. Adidas states it can have no impact or provide workers with recourse and refuses to take any direct action since it claims that it was unaware of the two instances of production post-2009 and had no

formal relationship with the factory. To date, there has been limited remediation and the illegally terminated workers remain without severance.

Ben then discussed Hong Seng Knitting in Thailand, a factory supplying collegiate apparel to Russell and also supplying to Nike and Carter's. The factory employs roughly 1000 workers, including 250 Burmese migrant workers. The WRC's involvement began after the factory threatened to fire three pregnant Burmese migrant workers on pretextual grounds. The three pregnant workers were called into management's office on the same day at the same time and informed that they were being terminated for poor job performance. These workers had been working at the factory for some time and were given no prior warning of any concerns about their job performance. They were told that they were not meeting production quotas of which they had never been informed of, prior to the meeting. The factory was also not providing any accommodation to the workers in regards to their job assignment on account of their pregnancy which they had disclosed to their supervisors. Thai law states that pregnant workers should not be assigned to any jobs involving vibrating machinery, which includes industrial sewing machines. Managers informed the workers that if they did not agree to be terminated then they would not be given the papers needed as migrant workers to obtain another job. The workers raised a complaint with the WRC who in turn brought it to the attention of the local Thai compliance representative for Nike. The WRC and Nike quickly intervened with the company and the factory agreed to rescind the threat to terminate the pregnant workers; adopt a nondiscrimination policy toward pregnant workers; enroll the pregnant workers in the government system that provides maternity benefits; and provide Thai language lessons to Burmese workers.

Next, Ben gave an update on the case in Cambodia at E Garment, a collegiate supplier to VF and also a supplier to H&M, Zara and Kohl's which employs nearly 3000 workers. There has been a long history at this factory of retaliation by management against workers who are seeking to form an independent union. There has been, for a long period of time, a "gangster union" that has worked in collusion with management to prevent independent worker organizing. Prior to 2009, when workers first started forming an independent union, the factory fired 33 workers. With the intervention of Zara's parent company, Inditex, the factory agreed to reinstate the terminated workers but then reneged on that agreement. The case of those 33 terminated workers is still outstanding. In 2010, leaders of the "gangster union" violently attacked worker activists on the shop-floor with scissors and other weapons. Management worked with the gangster union to fabricate evidence purporting to show that this was a fight between the two unions, on the basis of which the company fired the leaders of the independent union who were actually the ones victimized and injured in this attack. The WRC investigated and obtained video that was taken by workers on their phones and the closed circuit television footage from inside the factory, all of which showed that this was not a fight but an organized attack by the company-favored union on the leaders of the independent union. The WRC sent its findings about this 2010 incident and the outstanding previous firings to the buyers, including VF, in 2011; however, virtually no corrective action was taken. The WRC had a series of meetings with factory management where the factory made promises to remediate but subsequently failed to follow through. The union that represented the fired workers took the case to the Cambodian arbitration council which ordered the reinstatement of two of the workers, but failed to reach the merits of the other cases. The company rejected the arbitration award. The WRC released its report and the FLA is

requesting a response to the findings of the report from the parent company of E Garment, which is a FLA participating supplier. The WRC is continuing to press VF to take appropriate remedial actions.

Ben then reported on Dynamic Casting, a Taiwanese owned factory in South China that produces golf clubs for adidas' TaylorMade brand. A Hong Kong based NGO contacted the WRC because it had received a complaint from workers at the factory about exposure to an occupational illness called hand-arm vibration syndrome (HAVS). HAVS occurs when workers are exposed for an extended period of time to machinery that vibrates, causing nerve damage to the hand, which is often irreversible. In 2011, workers requested that they receive medical evaluations regarding the syndrome, but in 2012 the factory instead terminated and/or sought resignation of the HAVS-exposed workers. The Hong Kong based NGO and the WRC contacted out to adidas about this case. During conversations, adidas revealed that the company's intention was to close the factory and consolidate production in Taiwan where production is more automated. Adidas claimed that this was not being done to punish the workers for raising these complaints about the exposure to the illness. Chinese law is quite specific about a consultation process that has to occur between workers and employers in the case of a major layoff or plant closure and also about protections that have to be provided for workers who have been exposed to occupational injury in the case of a plant closure. However, the company has sought to terminate those workers first and has engaged in reverse dispatching. Reverse dispatching, which is controversially common in China, is a process where the company terminates the regular workforce and directs them to find employment with a labor staffing firm in the same area. The labor staffing firm then contracts with the employer to put the workers back in the factory but now the employer no longer has any employment relationship with the workers and has no obligation to them, enabling the employer to avoid severance obligations and compensation issues related to workers who have been exposed to occupational injuries. The WRC raised this issue with adidas. Adidas in turn required the company to terminate the subcontractor and rehire the workers but when some of the workers returned to the factory premises, the labor contractors violently attacked one of the workers who had been a leading activist among the HAVS-affected workers. The WRC is in the process of contacting adidas again to raise greater concerns about the deteriorating situation at the factory.

Jess then discussed two cases in Central America where positive resolutions were achieved after workers had initially been denied legally required severance. The first case occurred at Gama in El Salvador, which employed approximately 300 workers. The factory had closed its sewing operations on June, 18, 2011, paying partial severance, leaving \$200,000 owed to workers. The factory was disclosed by League Collegiate Wear as a collegiate supplier. League ultimately denied having produced at the factory at the time of closure which was consistent with worker testimony. However, the company listed Gama as one of its suppliers in 2010, 2011 and 2012. The factory was also producing subcontracted orders for a factory known as Intradesa, owned and operated by Intradeco Holdings, on behalf of Fruit of the Loom and Walmart. The WRC contacted both companies. Fruit of the Loom was responsive and engaged with Intradeco to ensure that Intradeco would provide the remaining severance and remediate the violations. Walmart initially responded to requests for information but ultimately became unresponsive. On December 28, 2012 workers received the first set of checks. There were errors with some of the checks so a second set of checks is being distributed today. The second positive severance case occurred at Hawkins in Honduras, which employed roughly 200 workers and closed on February

15, 2012. At the time of closure, the factory owed \$294,000 in legally mandated compensation. Workers received a small portion of what they were owed after liquidation of the factory's remaining assets, leaving \$258,193 owed to workers. Buyers at Hawkins include Disney licensee Jerry Leigh and VF Corporation. After the factory closed, the WRC contacted Disney to initiate discussions with Jerry Leigh. After consultations between the WRC, Disney and Jerry Leigh, Jerry Leigh decided to make a financial contribution to the workers to remediate the violations. On December 7, 2012, Jerry Leigh distributed \$277,000 to workers. Ninety-nine percent (all but two) of workers had picked up their payment.

Jess reported on Flying Needle in Tipitapa, Nicaragua. The WRC's investigation was prompted by complaints in May and June of illegal firings of leaders of a newly formed union. The factory's buyers, including adidas and Under Armour, were initially unresponsive to the WRC's communications. In October and November, five additional union workers were fired. Workers made a public denunciation, leading adidas and Under Armour to contact factory management and press for reinstatement. On November 13, the factory signed an agreement to reinstate eight of the terminated workers with back pay but the agreement lacked key elements essential to remedy the damage to workers' associational rights and it lacked sufficient measures to reduce the likelihood of future abuses by management. The WRC issued recommendations to adidas and Under Armour, which both responded and claimed that a freedom of association statement had been made and future trainings were being planned. The WRC is continuing to monitor the situation.

Jess provided an update on Pinehurst in Honduras and Augusta in Nicaragua, both owned by the same individual. At Pinehurst, the factory has failed to sustain the labor rights progress in labor-management relations previously achieved, due to the lack of economic support from buyers, including adidas and Nike. The factory has faced declining order volumes. By failing to reward Pinehurst economically for the progress achieved, the brands gave the factory little incentive to maintain that progress over time, which has led to forced layoffs and created fear about more layoffs and possible closure. Factory management has also repeatedly used the lack of buyer support to justify its refusal to make serious economic commitments at the bargaining table. At Augusta, workers report a continuing hostile anti-union work environment. Management has reneged on a commitment to reinstate two additional workers who the union alleges were terminated in retaliation for union activity. A third retaliatory firing occurred in September 2012. The WRC contacted adidas in October, but has not received a response.

Jess reported on a Palermo's factory that produced pizza in boxes bearing the Bucky Badger logo from UW-Madison as a supplier to licensee Roundy's supermarkets. The WRC received a complaint from Palermo's workers in November 2012 alleging that the company retaliated against workers who sought to form a union, using an ongoing Immigrations and Customs Enforcement (ICE) audit as a pretext. Palermo's shortened the re-verification process for work authorization from 28 days to eight days and after the eight-day period, discharged approximately 75 striking employees on the basis that the employees' work authorization had been called into question by an ICE investigation. In addition, Palermo's permanently replaced a group of approximately 30 striking employees whose work authorization was not in question and engaged in other acts of harassment, and intimidation. After a review of evidence, the WRC concluded that Palermo's actions were motivated by anti-union animus that led the company to

manipulate a review of employees' work authorizations. While the immigration audit was initiated by ICE, the company shifted the timeframe and chose to proceed with the audit even after ICE had put a stay on its investigation. The WRC will be finalizing its findings and recommendations in the near future.

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

Field Staff Report: Ben discussed a joint report between WRC and Stanford Law School's Human Rights Clinic on Better Factories Cambodia (BFC). BFC is a garment factory monitoring program operated by the ILO since 2000 which was originally established to monitor progress under a US-Cambodia trade agreement. The report documents deteriorating and stagnant conditions for workers during the period of BFC's operation, including declining and inadequate real wages; increasing job insecurity; pervasive excessive overtime; continuing violations of freedom of association; and lack of genuine collective bargaining. The report finds that BFC has failed to effectively address these problems. Weaknesses in monitoring practices include reliance on onsite interviews and lack of offsite outreach to workers and lack of buyer accountability -- buyers receive factory reports confidentially and anonymously. The report makes recommendations for significant reforms to BFC and will be released mid-February.

Jess then reported on problems in the Haitian garment industry. There are 29,000 workers in Haiti. The minimum wage is 300 gourdes (\$7.12) per day. Most workers must meet a daily quota. Each year, Better Work data has shown an increase in non-compliance with the minimum wage. The WRC launched an investigation to look at how the wages are being underpaid, where the problems are and the impact of wages on workers' families. The report will be released by March.

Jess also reported on a joint research project with Penn State University Center for Global Workers' Rights on illegitimate, management-dominated organizations that serve as an obstacle to workers' freedom of association. The WRC worked with Professor Mark Anner to combine research on factory cases with historical research and is currently writing up the results.

The meeting was adjourned at 3:18 p.m.