

Minutes of the WRC Board Meeting June 7, 2013

Attending the meeting were Scott Fleming, Jim Wilkerson, Everett Mitchell, Mike Powers, Billy Yates, Mary Yanik, Tina Trevino-Murphy, Katie Quan, Jill Esbenshade, Jeff Hermanson, Julie Martinez-Ortega, and Elizabeth Bunn. WRC staff members in attendance were Scott Nova, Jessica Champagne, and Theresa Haas. Ben Hensler joined by phone.

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 9:25 a.m. by board chair, Katie Quan.

Agenda Review: The Agenda was reviewed without objection.

Board Meeting Minutes of January 25, 2013: Scott Fleming motioned to approve the minutes and this was seconded and the minutes were unanimously approved.

Executive Director's Report: Scott began by talking about two reports that the WRC had recently been working on. The first report was a briefing paper on the labor rights environment in Vietnam, published on May 31. Vietnam has become an increasingly important source of apparel and as of March 2013, was second only to China in the number of factories that had been disclosed to the WRC as suppliers of collegiate-logo goods. Given the country's importance as a source of university product, the WRC prepared a briefing paper outlining current working conditions in several key areas in the Vietnam export manufacturing center, including freedom of association and collective bargaining, forced labor, child labor, gender discrimination, health and safety, hours of work and wages, and occupational health and safety.

Scott also spoke about the WRC's research regarding global wage trends for workers, the results of which will be published later this summer. The WRC assessed trends from 2001 to 2011 in real wages for garment workers in 15 apparel producing countries. The purpose of this research was to determine whether wages for apparel workers are growing in real terms at a pace quick enough to close the gap between the prevailing wage and a living wage. Scott noted that for many apparel producing countries, wages have not kept pace with inflation and as a result, workers are earning less in real wages now than they were ten years ago.

Scott then discussed the WRC's work in making revisions to the WRC model code of conduct, noting the code is a guidance document for universities and schools are not required to adopt the model code. As discussed in previous meetings, the board has been working through potential revisions to the model code and has proposed new language in several critical areas. The WRC has shared the board's suggestions with WRC affiliate schools and is currently seeking feedback from member schools. Scott suggested that the board reconvene the previously-established committees in order to discuss the feedback from schools and to bring the code revision process to a close and there was general agreement to do so. Katie proposed that the section of the code regarding temporary work should include a reference to student internships, a type of temporary work. She explained that in China, high school vocational students are often compelled to work

at manufacturing facilities as a condition of graduation. Craig asked a question about the way in which codes would be strengthened in the area of factory disclosure. Scott explained that there is a lack of clarity in the codes about exactly which of a brand's factories should be included on the collegiate disclosure list. Scott also noted that there have been cases in which licensees have failed to disclose collegiate factories and this inaccuracy is not revealed until labor rights violations are discovered at the factory in question. The WRC has worked cooperatively in the past with the FLA to discuss possible ways to improve factory disclosure data.

Scott also gave an update on the Alta Gracia factory in the Dominican Republic, where a collective bargaining agreement with the workers' union had recently been signed. The agreement includes several important provisions, including the financing of a credit cooperative that will offer small loans to workers at reasonable credit rates. There will also be a report published soon with the results of research carried out by Stanford Medical Schools and the University of California, Berkeley regarding nutrition, health, and financial status of workers at Alta Gracia. The WRC will share the results of that research with the board when it is available. Scott noted that there have been several positive media reports about Alta Gracia recently, including an article that ran on the front page of the Washington Post with a quote from Scott Fleming. NPR is also doing a story on Alta Gracia and sent a crew to the factory to interview workers and management.

Jeff updated the board regarding ongoing negotiations between Russell Athletic and the union federation representing workers at its factories in Honduras. Jim asked about Russell's status in the collegiate market and whether the company has recovered from the loss of university contracts that occurred following the closure of Jerzees de Honduras. Scott noted that according to the rankings published by the Collegiate Licensing Company, Russell's collegiate business has improved and that most collegiate licenses that the company had lost have since been reinstated.

Update on Fire and Building Safety in Bangladesh: Scott began by talking about the collapse of a garment factory in Bangladesh that took place in 2006. The Spectrum Sweater factory had been producing for several major Western retailers and was housed in a poorly constructed building constructed on a swamp and with several floors that had been added illegally onto the original structure. Prior to the collapse, workers had noticed cracks in the walls and had expressed fear to management, but managers force workers back to work. The following day, the building collapsed, killing 64 and injuring hundreds more. Following this disaster, the retailers, factory owners and Bangladesh government all promised to move quickly to improve safety practices. But despite these promises, no meaningful improvements were made and the disasters continued.

The most recent disaster in the Bangladesh garment industry took place on April 24, when the Rana Plaza building collapsed, killed 1,127 workers. The details of the collapse were eerily similar to the Spectrum collapse – despite obvious warning signs of structural problems, workers were pressured to work anyway and the building collapsed shortly after. The collapse of Rana Plaza is the worst factory disaster in the history of the global garment industry and, in fact, three of the four deadliest disasters in history have occurred in the last eight months. The other two recent mass fatality disasters were the fire at Ali Enterprises in Pakistan, which killed 262 people, and the Tazreen Fashions fire, which killed 112 workers.

Scott pointed out that the fourth deadliest disaster in the history of the garment industry was the fire at the Triangle Shirtwaist factory in New York in 1911, which killed nearly 150 workers. This disaster spurred a period of reform in the US apparel sector and conditions steadily improved until the 1970s, when brands and retailers began to outsource most US apparel production to the Global South. Scott likened present-day safety practices in Bangladesh to those that prevailed at the time of the Triangle fire.

Scott described the contemporary system of apparel production, in which brands and retailers place relentless price and delivery pressure on local suppliers, which often meet these demands by ignoring workers' rights and safety standards in order to cut costs and speed production. This problem manifests itself in particularly dangerous ways in Bangladesh, because local regulation is especially lax and most factories are located in multi-story buildings. The Bangladesh garment industry consists of thousands of unsafe factories, most of which lack proper fire exits and are missing critical safety systems, and many of which are poorly constructed and have floors that were added illegally after construction. However, despite the deteriorating safety conditions, the industry has poured orders into Bangladesh and it is now the second largest apparel producer after China.

Scott went on to explain that industry auditing and voluntary corporate social responsibility programs have been a failure at improving safety conditions in the industry, and that all factories where major disasters have occurred had been repeatedly audited under industry monitoring schemes prior to the disasters.

In order to improve conditions in the Bangladesh garment industry, it is necessary to move away from voluntary corporate self-regulation to binding labor-management agreements. This shift will require that brands provide financial support for renovations and repair and accept that safe factories cost more. This is being achieved through the Accord on Fire and Building Safety in Bangladesh, which the WRC helped develop, beginning in December 2010. Prior to the Rana Plaza collapse, only two brands had signed onto the agreement. There had been several challenges to getting companies to sign the Accord, but after the Rana Plaza collapse, more than 90 brands and retailers joined the agreement.

The Accord includes several unprecedented commitments from brands and retailers, including an agreement to submit all of their Bangladesh supplier factories to independent inspections with full public reports and a commitment to require factories to undergo all necessary renovations, and provide financing for these renovations to the extent that factory owners cannot afford them. Brands and retailers must end their business relationship with any factory that refuses to make necessary renovations and all commitments in the agreement are legally-binding and enforceable. Scott noted the unprecedented nature of the agreement.

The companies that have signed the Accord, including H&M, which buys more apparel from Bangladesh than any other brand, and Inditex, the world's largest fashion retailer, among many other leading companies. The Accord covers at least 1,500 factories and 1.5 million workers. Implementation of the agreement will be a huge undertaking, with the first priority being inspections and renovations to mitigate the most serious hazards. The WRC expects that the

Accord will offer a new model for labor rights reform in global supply chains, in which working conditions are regulated through enforceable pacts and in which companies supply chain practices are in line with improved working conditions.

Field Staff Update: SAE-A/Nicaragua and E Garment/Cambodia: Jess discussed two ongoing collegiate factory cases, Tecnotex and EINS, which are located in Nicaragua and owned by SAE-A, a global apparel producer based in Korea. On February 28, workers at the two factories reported violations of freedom of association, including anti-union discrimination/retaliation. On March 4, the WRC received news of a physical attack on union members in front of the plant and immediately conducted a preliminary investigation. When SAE-A failed to provide a substantive response, WRC contacted universities about this case and in early April, SAE-A met with WRC and agreed to cooperate with the investigation. The WRC is currently finalizing a memo with additional findings and Jess reports that the violations, including illegal termination of union leaders, have not been remedied.

Ben discussed the WRC's investigation at the E Garment facility in Cambodia. The WRC found that there were serious and longstanding violations of freedom of association at the factory, including a failure to reinstate 33 illegally fired workers, collusion with a "gangster union" that violently attacked workers inside the factory in 2010 and retaliatory firings of 8 victims of the "gangster union's" attack. These findings were shared with the factory's buyers, including the collegiate licensee at the factory, VF, but the factory did not remediate the violations.

In January 2013, workers began a nonviolent strike to demand reinstatement of the fired workers. In response, on February 6, E Garment directed local police to assault the striking workers, injuring a pregnant employee in the process. On February 21, thugs from the company-sponsored union attack E Garment workers and independent union leaders and 4 people are hospitalized. Shortly thereafter, the WRC called on VF and the FLA (of which E Garment's parent company is a member) to require E Garment to immediately end violence by the gangster union and reinstate the fired workers. On March 22, VF informed the WRC that E Garment has agreed to reinstate and compensate the workers fired in 2010 and earlier, but indicates no action against thugs from gangster union. The FLA reported that Yee Tung, the owner of E Garment, had signed an agreement with an independent union in Cambodia regarding a timeline for reinstatement and compensation for the fired workers. However, the WRC identified serious flaws in the remediation plan, and E Garment ultimately agreed to revise its plan. In May and June, partial remediation was achieved after some of the fired workers were reinstated with back-pay, but some of the terminated workers were not informed of the reinstatement and back-pay offer. Going forward, the WRC will press for the reinstatement and back-pay offer to be communicated to as many of the remaining fired workers as possible, the prompt distribution of back-pay, and disciplinary action against managers and employees implicated in the 2010 and 2013 incidents of violence.

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

Update on adidas/PT Kizone: Jess provided an update on the PT Kizone case in Indonesia. PT Kizone was a collegiate factory that closed in April 2011 and failed to pay workers their legally-

mandated severance benefits. Some of the factory's buyers, including Nike and the Dallas Cowboys, provide funds to pay for workers' terminal compensation but even after these payments, workers were owed more than \$1.6 million. Jess reported that the union representing PT Kizone had signed an agreement with the adidas group to provide compensation to the workers and that although the details of the agreement were not public, the union was satisfied with the terms that had been reached. Scott discussed how adidas' insistence on keeping the terms secret complicated the WRC's efforts to determine if the pact was a sufficient remedy.

Presentation/Discussion on Wage Violations in Haiti: WRC staff provided a summary of a recent WRC investigation that found overwhelming evidence of widespread noncompliance with the minimum wage law in Haitian garment factories. This constitutes not only a violation of Haitian law, but also of university codes of conduct. The investigation was conducted following an increase in the minimum wage law that went into effect on October 1, 2012. Local WRC staff conducted a thorough review of workers' pay slips and extensive worker interviews and found that workers are being paid below the legal minimum wage and are not being properly for overtime work. The WRC found that although workers work an average of almost 10 hours per day, they are earning less than the legal minimum wage that should be paid for an eight hour workday. In Haiti, the lowest-wage country for garment workers in the Western Hemisphere, this type of wage theft has tremendously negative consequences for workers and their families, forcing them into even greater debt just to afford basic necessities.

The WRC will be releasing a public report of its findings later this year. In this report, the WRC will recommend that university licensees and other apparel companies act swiftly to ensure that factories begin to pay workers the legal minimum wage to which they are entitled, as well as provide back pay plus interest for the amount that they have been underpaid. The WRC will notify the Board when the report is released.

The meeting was adjourned at 3:34 p.m.