

Minutes of the WRC Board Meeting June 11, 2014

Attending the meeting were Jim Wilkerson, Marybeth Schmutz, Scott Fleming, Katie Quan, Jill Esbenschade, Julie Martinez Ortega, Elizabeth Bunn, Jose Godinez, Maya Menlo, and Sarah Newell. WRC staff members in attendance were Scott Nova, Theresa Haas, Ben Hensler (via phone), Lynnette Dunston, and Tara Mathur (via phone for the field staff report).

Observers in attendance were Garret Shishido Strain, USAS representative and Felix Nickel, WRC intern.

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

Agenda Review: Approval of the minutes was moved to the executive session due to the absence of a quorum at the outset of the meeting.

Executive Director's Report: Scott began by stating that two new universities had affiliated with the WRC since the last meeting: Tufts University and Durham University. Scott announced that the annual University Caucus meeting held on May 1 was well-attended and had lively discussions. Scott also noted that he was the keynote speaker at the American Industrial Hygiene Conference and Exposition held in San Antonio in early June where he spoke about the hazardous working conditions in Bangladesh's garment manufacturing industry and the Bangladesh Accord. More than 3,000 people attended the presentation.

Scott discussed SAE-A, a major supplier of apparel to several large U.S. retailers (i.e. Kohl's, Target and Walmart) and producer of collegiate apparel for Under Armour and Gear for Sport. The WRC has reported previously on this case and is preparing an addition document which reports the failure of management to fully remedy documented violations. Scott reported to the Board that SAE-A, working through a US law firm, had recently leveled allegations of a personal nature, never previously raised, against two fired workers, trying to justify the factory's refusal to reinstate them. The WRC investigated and found no substantiation for the allegations and also concluded that, even if they were true, they would not constitute a basis for refusing reinstatement in these circumstances. The WRC will update the Board on future developments.

Ben then provided an update on the labor rights situation in Cambodia. At the beginning of the year, the Cambodian government launched a violent crackdown on workers seeking a higher minimum wage. Strikes began originally at the end of last year when the government announced the new minimum wage, which was 40 % lower than the minimum wage needed to meet workers' basic needs, as determined by a government panel. Ben noted that Cambodia has the second lowest wages in the global garment industry, behind Bangladesh. More than 100,000 workers took to the street in protest. The government responded with a violent crackdown. Workers were shot and injured; 23 workers were detained and over 170 workers were terminated. The WRC contacted licensees and joined with other human and labor rights NGOs to call on the Cambodian government to end the crackdown. The WRC worked to get brands to intervene and released a report in March. In response to the crackdown, Adidas required

reinstatement of fired workers from two of its supplier factories and called for the release of detainees. Nike claimed there were no retaliatory firings by any of its Cambodian suppliers. In May, the crackdown continued. Police and military were called in to intimidate protesting workers and more arrests were made. The courts convicted 23 workers and union activist detainees; however, the sentences were ultimately suspended and the detainees were released. The detainees were told that if they continued their activism, they would be sent back to prison. Overall, there has been an inadequate response from brands. Few brands sent representatives to the detainees' trials. The minimum wage-setting committee is scheduled to meet mid-June.

Ben moved on to discuss Yue Yuen, a footwear manufacturer in China owned by the Pou Chen Group, the largest producer of athletic shoes in the world. The WRC released a report to universities in May on significant violations of Chinese law and university codes of conduct at Yue Yuen. The company produces collegiate licensed shoes for Nike, Adidas and many others and has a history of labor rights violations. In this case, Yue Yuen had failed to make legally required payments into the public social security system. The underpayment was estimated to be approximately US\$2.25 million per year, across the workforce. In response, workers launched a brief strike at the factory on April 5, followed by a second strike on April 14, which lasted for 10 days. An estimated 30,000 workers participated in the strike. During the strike, police arrested NGO activists Zhang Zhiru and Lin Dong. Zhiru was detained for two days and Dong was detained for 30 days and now faces charges for creating a public disturbance. The Ministry of Human Resources and Social Security has confirmed that Yue Yuen did not make the required payments. Yue Yuen has now committed to pay the correct social security contributions going forward and a new \$37 per month allowance to encourage workers to return to work; however, a resolution has not been reached regarding back payment for the past underpayments. The WRC has contacted both Adidas and Nike to request remediation. Nike has yet to provide a substantive response, despite numerous attempts by the WRC. The WRC sent the following recommendation to Yue Yuen: (1) provide legally mandated payments to employees; (2) provide retroactive payments; (3) provide workers with all other contractually or legally mandated payments, including payments for food and housing; and (4) allow all strikers to return to work without penalty. The WRC also recommended to licensees that they identify and correct the flaws in their auditing processes that allowed Yue Yuen to avoid paying legally required social security payments; however the WRC has not received a meaningful response from licensees to these recommendations.

Update on Bangladesh Accord Implementation: Scott provided an update on the Bangladesh Accord on Fire and Building Safety. There are now over 180 signatories to the Accord and inspections have been completed at 653 factories. Each factory undergoes three types of inspections: electrical, fire and structural. There has been a technical problem uploading the electrical engineering firm's inspection reports, which should now be resolved; however, this has created a significant delay in the delivery and posting of inspection reports. To date, there have been 19 emergency factory closures, or partial closures, where the structural safety hazards were so severe that immediate closure of the building was deemed necessary by the Accord. In most of these cases, the strength of the building columns was insufficient to support the structure, creating serious and imminent risk to workers. Scott showed a sample report by the engineers. Under the Accord. In these cases of emergency closure, brands are required to make sure the factory owners continue to pay workers their regular salary for up to six months and to provide

financial assistance to factory owners who need help with remediation and renovations. There have been some challenges to implementing these requirements, due, in the WRC's view, to the failure of brands to communicate effectively with their supplier factories immediately upon learning of the decision to close the facility. The WRC, independent of the Accord, is tracking payments to workers at various closed factories and by and large, thus far, workers at these facilities have been paid in accordance with the requirements of the Accord. Scott noted there has been a strong backlash from the local industry over these temporary factory closures: the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the trade association that represents the factory owners, has orchestrated an attack on the Accord in local media, in part to pressure the Accord to change certain assumptions that the Accord's engineers have made regarding concrete strength. However, there has been no substantive evidence provided to change the Accord's assumptions, which were agreed among the various safety initiatives. The BGMEA is also attempting to pressure the Accord to cease enforcing factory closures in cases where the government does not want to close the factory. Under the Accord, brands are obligated to use their influence with a factory to compel the factory to close if the Accord recommends immediate suspension of production, even if the government fails to act. For instance, if a factory refused to close, the brands would be obligated to permanently terminate production at that facility. Conversely, brands are also obligated to support factory owners through the process of remediation and renovation, both financially and through the promise of future ongoing orders, if the factory owners agreed to close temporarily close and undergo the necessary remediation. If that fails to persuade the owner to close, there are other mechanisms that can be used, including publishing the names of the factories, urging all of the customers to leave, and informing workers that they should not go into the building. The Alliance has agreed to accept the government's position that only the Bangladeshi government should shut down a factory. The Accord will use the authority of the brands over the factory owners to get the factory owner to voluntarily suspend production where the government does not act. In cases where the factory owner is resistant to closure, the Accord will publish the names of factories which refuse to shut down, which will presumably lead to outside organizations raising those issues with the buyers. Additionally, Accord staff, in conjunction with local unions, will go to factories and hand out fliers and tell workers (a) the building is unsafe (b) they should not go into the building and (c) they have the right not to go into the building without fearing for the loss of their job. Through this combination of mechanisms, the WRC is confident that the Accord will be able to ensure factories suspend production in a timely fashion, even if the owners resist and the government refuses to act.

Scott also noted that most university licensees sourcing from Bangladesh have signed the Accord. The biggest university licensees who have not signed are VF and Outdoor Cap. More than 20 universities have adopted policies requiring their licensees to sign the Accord.

Executive Session/Board Meeting Minutes of June 11, 2014: An executive session was held to discuss confidential personnel and financial matters. Scott Fleming made a motion to approve the budget and this was seconded by Julie Martinez Ortega; the budget was approved unanimously. Jim Wilkerson motioned to approve the executive session meeting minutes of the previous meeting and this was seconded by Scott Fleming; the minutes were approved unanimously.

Update on Minimum Wage Violations in Haiti: Scott began by explaining Haiti's minimum wage law, which is crafted into two tiers: the higher tier establishes a wage rate that is supposed

to be paid to workers who are paid according to the piece rate system and is supposed to be paid to at least 90% of such workers. The law requires employers to set a piece rate that allows workers to earn the higher tier wage level during the regular workday; however, factory owners have ignored the law and set the piece rates so low – or, conversely, set the production quotas so high – that workers are unable to earn the legal daily minimum in a regular workday as the law requires. The ILO's Better Work Program has been releasing public reports every six months showing that all factories in Haiti are non-compliant with the law – sharing the same interpretation of the law as the WRC. The WRC focused on the three biggest producers in Haiti: Gildan, Hanes and Fruit of the Loom and has asked those brands to require their suppliers to pay the legal minimum wage to workers, adjust their prices accordingly, and to maintain production levels in Haiti to help overcome factory owners' fear that paying the legal minimum wage will cause brands to take production elsewhere. WRC has received public commitments from all three brands that they will require compliance. The WRC has been working since February to turn these commitments into meaningful action. The WRC has made some significant progress; however, the WRC has been unable to get any of the brands to sign an agreement with worker representatives. Nonetheless, brands have moved forward by telling their suppliers that they must pay the higher wage tier. One of the reasons that it would be beneficial for the brands to sign an agreement with worker representatives regarding this issue is that such an agreement would have clarified exactly what is meant by the obligation, for example, the question remains of how to measure compliance with the obligation in temporal terms. Under the Haitian minimum wage law, the minimum wage requirement is expressed in terms of a daily wage, which is uncommon and proves challenging as it is problematic to measure what a workers is paid every day. One approach is to look at the pay period and require that as long as the average earned for each day of the pay period is at least as high as the minimum then that is acceptable. The brands ultimately have agreed to this standard, but it took a while to clarify this. Other unresolved issues include establishing a mechanism for how the overtime rate should be calculated, how compliance is to be verified, and deciding on the retroactive dates for arrears and the calculation for arrears. The WRC has been working to get clarification on what the employers are actually going to do. On a positive note, the brands are not only imposing this requirement and the employers are not only acknowledging this requirement, but at least two of the brands appear to be adjusting their prices. There is now an agreement, facilitated by Fruit of the Loom, between the owner of the CODEVI free trade zone and the union representing workers in that zone which commits the company to pay the top tier of the wage to all the workers; however the factory is unwilling to pay overtime at the proper rate. The union has agreed to continue with the agreement so that workers can start receiving the higher rate, and will revisit the issue of the overtime rate one year from now. Lastly, Scott noted that Better Work, in response to demands from the Haitian government, has stopped reporting on the employers' non-compliance with the minimum wage law. For informational purposes, Better Work will continue to report on the number of workers who make the higher tier minimum wage. The WRC does not believe this change will undermine the ongoing effort to achieve compliance.

Field staff report: Theresa noted that the WRC created a video on WRC's worker interview methods, which was shown during the University Caucus Meeting. A link to the video will be sent to Board members and any feedback on the video is welcomed.

Tara then provided a brief update on Manufacturas del Rio (MDR)/Central American Cutting Center (CCC) in El Salvador. Both entities operate in the same building and are owned by the Argus Group, which produces collegiate apparel for Russell and non-collegiate apparel for Hanes, Lacoste and Levi Strauss. The factory closed unexpectedly on January 7. Approximately 1,200 workers are owed roughly \$1.6 million in severance, plus their final week's wages. Government pension and health care funds are owed approximately \$30,000-60,000. Argus initially denied having a relationship with the factory despite documented evidence to the contrary. Argus ultimately acknowledged that it owns MDR/CCC and has now committed to remediation. Hanes and Fruit of the Loom have been the most actively engaged in pressing the factory to pay. Argus will make an initial payment of \$650,000 (40% of what is owed). Further payment is pending, after the sale of goods in the factory. Levi's has stated that its licensee Hampshire will contribute 1-3% of what is owed to workers. Full remediation under codes of conduct will occur when all workers have been offered payment of 100% of the money they are owed.

Theresa proceeded to discuss in detail four incidents of recent violence against union organizers and leaders in Bangladesh. The first incident occurred at Chunji Knit, a supplier to Sears and a number of European brands. Workers at the factory had been organizing for several months around issues related to payment of the minimum wage and they had been supported in that organizing by a union called Bangladesh Federation for Workers Solidarity (BFWS). On February 22, four organizers employed by BFWS were meeting with workers from Chunji Knit at the workers' homes when they were attacked by thugs accompanied by factory managers and brutally beaten, resulting in the hospitalization of two workers in severe and critical condition. Subsequent to the attack, BFWS filed a case with the local police against factory management for their involvement in this attack and management responded by filing its own criminal cases against the BFWS organizers. Those cases have not gone forward. Allegedly, it has been communicated to the union that if the union wants to press forward with the criminal charges filed against the factory then police will have no choice but to arrest the BFWS organizers pursuant to the cases that were filed by the factory. The WRC wrote to brands about this case and Sears said that it had conducted its own investigation, claiming they found no proof that such an attack ever took place or that factory management was involved in the attack – a conclusion contrary to the readily available evidence.

The second case occurred at Pioneer Knitwear where NGWF, a union that the WRC has been working with for many years, was supporting organizing efforts by workers. Pioneer is a supplier to C&A and H&M. On May 21, a NGWF organizer was kidnapped by men on motorcycles and taken to a local shop near the factory where he was brutally beaten, threatened with death, and then left by the side of the road. He was picked up by local community members who took him to the hospital where he was treated for several injuries including a broken leg. His personal belongings were stolen during the attack and his home was subsequently robbed, along with the local NGWF office. The WRC wrote to C&A and H&M following this attack. C&A reported that they carried out their own investigation, which did not include speaking with the alleged victim, but instead involved conversations with a random selection of current and former workers – an entirely inappropriate methodology in this circumstance. C&A reported that the results of the investigation could not confirm the attack.

The third case involves 11 factories collectively known as the East West group, which employ 7,000 workers and supply to H&M, Sainsbury's and PVH. A union federation had been helping workers organize there for several months. There were 5 factories within the East West factory group where workers had successfully registered a union with the government and an additional 5 factories with pending registrations. Starting around May 10, there had been a series of instances where in total more than a dozen factory level union leaders had been violently assaulted in the communities surrounding the East West factory group. These threats and assaults were carried out by local thugs and by factory level supervisors. Organizers of the union federation supporting workers have also been targeted with threats of violence and the situation has become so volatile and dangerous that about 15 of the factory level organizers have had to flee their homes and seek refuge elsewhere for fear of their lives.

The last case occurred at a washing facility used by Walmart. Workers had been organizing with the support of another union federation. The general secretary of the union at the factory was fired last month after being physically assaulted inside the factory. Both the general secretary and two other union leaders at the factory are now facing criminal charges that have been filed by factory management.

Theresa noted that the WRC is very concerned with the recent escalation in violence against unions for their organizing efforts and is working to help address both the individual cases and the broader phenomenon. Scott added that the overall response from brands has been frustratingly poor. The WRC is working on raising the profile of this issue and urging brands to take proper action.

The meeting was adjourned at 3:27 pm.