

Minutes of the WRC Board Meeting June 12, 2015

Attending the meeting were Maya Menlo, Jill Esbenshade, Sarahi Soto-Talavera, Marybeth Schmutz, Scott Fleming, Nida Ahmed, Elizabeth Bunn, Mark Ortiz, Julie Martinez Ortega (via phone), Jim Wilkerson (via phone), and Scott Kelley (via phone).

WRC Staff in attendance were Scott Nova, Ben Hensler, Bent Gehrt, Theresa Haas, Jessica Champagne, and Lynnette Dunston.

Observers in attendance were Joe Ebaugh, University of Maryland, and USAS representatives, Morgan Currier and Julia Wang.

The meeting took place at the headquarters of the AFL-CIO, 815 16th St., NW, Washington DC

The meeting was called to order at 9:20 a.m. by Board Chair, Maya Menlo.

Agenda Review: Agenda was reviewed without objection.

Board Meeting Minutes of January 30, 2014: Scott Fleming motioned to approve the minutes and this was seconded by Marybeth Schmutz; the minutes were unanimously approved.

Executive Director's Report: Scott began by announcing new WRC affiliates since the last Board meeting: Oklahoma State University and West Virginia University, both of which are significant players in the licensing world. Additionally, Franklin & Marshall, a former WRC affiliate, has re-affiliated with the WRC. Lastly, two new Canadian universities, University of Winnipeg and Vancouver Island University, have affiliated. Scott is happy to report those new additions to the organization.

The WRC has formed a new organizational relationship with the Ethics Council of the Norwegian National Pension Fund, the world's largest sovereign wealth fund. The Council contacted the WRC in February to do preliminary research concerning the labor practices of a number of companies in their portfolio. The WRC will begin preliminary research in the weeks ahead, focusing on several factories in Cambodia.

Additionally, in organizational news, the WRC has been collaborating with the Coalition of Immokalee Workers (CIW), an organization that ensures humane wages and working conditions for the workers who pick fruits and vegetables on participating US farms, on how to promote the fundamental concept of using enforceable and binding agreements among brands and retailers to reform supply chains. The WRC and the CIW have had some initial discussions and hope to work together to achieve progress more broadly.

Next, Ben and Jess provided an update on the minimum wage in Haiti. First, Ben discussed the progress made in clarifying the correct interpretation of the law regarding the minimum wage. The WRC released a report at the end of 2013 which confirmed what the ILO's monitoring in Haiti had been saying for several years: that every factory in the country was violating the

minimum wage law, including factories producing university logo apparel. The WRC found that workers were being underpaid by approximately one-third due to a willful misinterpretation of the minimum wage law by employers, with the buyers acceding, and that the impact of this wage theft on workers' lives was quite severe. After the WRC's report, for the first time, brands were actively pressed to require their supplier factories in Haiti to comply with the legal minimum wage. In turn, the factories started pressing the government to reinterpret the minimum wage law. In response to pressure, the Haitian Labor Ministry adopted a new compliance standard: the law is not violated even if workers do not actually receive 300 HTG, the legal minimum wage, for production workers as long as it is theoretically possible for workers to do so under the factory's piece rate system. And if the minimum 300 HTG is not paid, the remedy is for workers and management to "discuss productivity improvements," i.e., for workers to work harder and for longer hours. In response to the Labor Ministry's position, the WRC sought expert opinions from Haitian and US legal experts. The legal experts concluded that the Haitian legislature intended to ensure that workers earned at least 300 HTG in an eight-hour workday and that those who set their production quotas so high that these workers cannot earn 300 HTG in an eight-hour workday are in violation of the Haitian minimum wage. Furthermore, the experts concluded that the Labor Ministry does not have the legal authority under Haitian law to interpret the law, but rather the authority to interpret the law resides with the Haitian legislature or the country's Court of Cassation, which has issued no interpretation that would call into question the plain language of the statute.

Jess then added that the WRC is conducting compliance assessments and pressing for full implementation of existing commitments by the three brands – Hanes, Gildan and Fruit of the Loom/Russell Athletic – that have agreed to require payment of the legal minimum wage. The WRC is also helping facilitate trainings for workers to monitor employers' compliance with the minimum wage (i.e. via paystub analysis). Finally, a new increase in the minimum wage was announced May 29, retroactive to May 1. The new daily production minimum wage was increased to 320 HTG (US\$6.57) for production workers and to 240 gourdes (US\$4.93) for non-production workers. The WRC will contact Gildan, Hanes and Fruit of the Loom about this new minimum wage and seek assurances that they will require suppliers to raise wages accordingly.

Next, Jess provided an update on Manufacturas del Rio (MDR) and Central American Cutting Center (CCC), two sister factories that closed in January 2014, leaving 1,200 workers without their final wages or legally required severance and violating university codes of conduct in the process. The total severance obligations of the factories were about \$1.8 million. The WRC has been working with buyers since shortly after the closure to remedy the violations. In July 2014, due to pressure from Hanes and Fruit of the Loom, \$650,000 was paid to workers by the Argus Group, which owned the factories. Argus refused to pay any more than this. The WRC then secured commitments from Hanes and Fruit of the Loom to make workers whole, using their own funds. Over the past two months, workers have collected an additional \$1.1 million in severance benefits owed to them, provided mostly by Hanes and Fruit of the Loom. Between this distribution and the earlier distribution of funds provided by Argus, workers have collected more than US\$1.7 million over the past year. Jess showed a brief video depicting the distribution that took place last month. In the video, a number of workers speak about the consequences of the factories' failure to pay them and the importance of the funds they recently received. Scott noted that this case represents further progress in the WRC's efforts to promote a more responsible

approach by licensees and brands to addressing severance theft, in the collegiate supply chain and beyond.

Jess continued with an update on the Petrallex factory in Honduras, which employs 2,000 workers producing boxers, t-shirts, shorts, pants, and seat covers for automobiles. They produce university licensed apparel for more than a half a dozen licensees, including adidas, Gear for Sport, Under Armour and the Dallas Cowboys. This factory has a long history of workers' rights violations. The WRC initially investigated violations at the factory in 2007-2008 but the worker representatives ultimately reported that they were not interested in pursuing the case. Recently, workers again contacted the WRC with allegations of new violations, in the form of retaliatory terminations against union leaders and other workers associated directly and indirectly with the union. The WRC issued a report in April and since its release, there has been significant progress towards remediation, as a result of pressure from university licensees. Petrallex management has reinstated the terminated workers and has begun a series of regular meetings with the union in which they will establish a plan for implementing most key elements of a remediation plan provided jointly by the WRC and the Fair Labor Association.

Lastly, Ben discussed a training held for 24 labor and human rights advocates, co-sponsored by the WRC and the American Bar Association (ABA) Center for Humans Rights, funded by the US State Department. The two-day training, which took place in March in Phnom Penh, Cambodia, focused on codes of conduct and how they can be utilized to advance labor rights and respect for human rights, specifically in the Cambodia garment industry. The WRC is hopeful to do further education work with the ABA, in Cambodia and other countries.

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

Update on Bangladesh: Scott announced that the Rana Plaza Trust Fund has now secured the full \$30 million needed in compensation for the families of victims and injured workers of the collapse of the Rana Plaza building in 2013. He noted, in particular, the tireless efforts of the Clean Clothes Campaign, a pan-European NGO, in achieving this result.

In regards to the Accord, Scott started by reporting on a fire that took place two weeks ago at a factory (Dignity Textile Mills) which is covered by the Accord and produces for Acadia Group and Next. The fire broke out on May 31 during the lunch break on the second and third floors of the seven-story building. The building is constructed entirely of steel. No one was injured from the fire, mostly due to the fact that the stairwells are enclosed and protected by fire doors. This is a very rare example of a factory in Bangladesh where the stairwells were enclosed at the time of construction; almost all of the factories in Bangladesh have open stairwells. However, there were weaknesses: the materials that were used were not sufficiently fireproof and the doors that were used were not fire-rated doors. In addition, the Accord found during its inspection of the building that the owners were propping the fire doors open during the work-day. The Accord asked the factory to install automatic door closers, among other improvements. The factory did in fact install the latter, which contributed to the avoidance of casualties. Scott did note that there are many improvements behind schedule at the factory, as is the case at many other factories in Bangladesh, including in many factories that do not have the level of stairwell enclosure that

Dignity Textile Mills fortunately had to begin with. So there are both positive and negative implications. It is very positive that the Accord's intervention may have saved the lives of a large number of workers; however, it is unfortunate that the renovations weren't completely done, despite the fact that the initial inspection was done in mid-2014.

Scott noted that the single biggest concern at this point in the implementation of the Accord is that most of the corrective action plans are significantly behind schedule

Scott provided background on the inspection process and on the Accord's public reporting on remediation progress: There have been just shy of 1,200 factories that have been fully inspected. Furthermore, an additional several hundred new factories that are now producing for Accord brands that were not previously doing so have to be inspected. To date, there are 817 approved corrective action plans. There are 224 factories where the Accord has gone back and done a follow-up inspection and on that basis updated the corrective action plan online to reflect the degree to which improvements at the factory that have been reported had actually been done.

The Accord provides real-time updates for all posted corrective action plan, so the public knows the degree or progress that is being made, or not being made, at each facility. There are three possible designations in the corrective actions plans for each hazard that has to be corrected: "in progress," "pending verification," and "corrected." "In progress" indicates that the renovation is question has not been reported as complete by the factory. "Pending verification" means the factory has reported the renovation as complete, but the Accord has not yet verified this independently, through its follow-up inspection program. "Corrected" means the Accord has verified that the renovation has been properly completed.

Scott reported that, according to both the publicly posted action plans, and to other data through which the WRC has access, many factories are well behind schedule in completing renovations. He noted, in particular, his concern about delays in fire safety renovations. Scott noted that some renovations have a longer timeline (i.e. installation of fully automated state-of-the-art alarm systems and sprinkler systems) due to the need for a design phase followed by the installation phase and the importation of the equipment which can take up to one year). However, for many of the other fire safety improvements, including stairwell enclosure, the timeline is generally three to four months. Many factories are well past the deadline for these shorter-term remedies – as well as on remediation of structural and electrical hazards. Scott noted that some delays were always anticipated, in part due to logistical factors, and because, by design, the renovations schedules are ambitious. However, the practical reality is that until renovations are completed, the factories are still dangerous, and there are delays of an excessive length at far too many factories.

Scott reported that at the last Accord Steering Committee Meeting in April, there was a hard push from labor and NGO representatives for Accord staff to be more aggressive about utilizing two critical provisions of the Accord – Articles 19 and 21 – to press factory owners to move more swiftly. Article 19 empowers the Accord to publicly highlight the names of factories that are persistently failing to comply with Accord standards. Article 21 requires brands and retailers to stop doing business with factories that refuse to implement the renovations. The other focus of concern at the meeting was about whether the brands were providing sufficient financial support

to factories where the factories needed the help in order to pay for the renovations. He noted that many brands have failed to accurately report on whether they are paying or not – essentially claiming that factories are not getting assistance, when, in fact, they are. He reported that the WRC will continue to press for stronger action by the Accord staff.

He also noted that the labor signatories to the Accord are pursuing enforcement actions against specific brands that are not complying with their obligations under the Accord. The process involves several stages of dispute resolution followed by arbitration, if needed. Currently, there are several cases in process.

Ben provided further detail on the Accord dispute resolution process. The dispute resolution protocol is a three-step process: first is a discussion between complainant and respondent signatories (unions and brands); next is a charge to the Accord Steering Committee and the Steering Committee will investigate and issue its own decision; lastly if one of the parties does not accept the decision from the Steering Committee there is a right to binding arbitration, carried out under UN Convention on International Trade Law Rules. Scott reported his view that effective use of the enforcement provisions of the Accord, as well as more aggressive efforts by the staff, will be essential if the Accord is to fulfill its mission of getting all of the covered factories made safe.

Field Staff Report - Developments in Southeast Asia: Bent Gehrt, Southeast Asia Field Coordinator, reported on several cases and issues in Cambodia. He discussed the retaliatory prosecution of garment worker leaders in the country and the WRC's efforts, along with other organizations, to address this. Bent also discussed the report recently released by Human Rights Watch, which identified major issues in Cambodian factories, including illegal use of subcontractors, forced overtime, abuse of short term contracts, not providing paid maternity leave and the dismissal of pregnant workers, and widespread instances of sexual harassment. Lastly, Bent talked about the unsafe road conditions that Cambodian factory workers face every day (in 2014, 73 workers died and 789 were seriously injured while commuting to their workplace) and the need for safety reforms in this area.

The meeting was adjourned at 3:54 pm.