

Minutes of the WRC Board Meeting: October 19, 2012

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

Outgoing board members Ian Trupin and Morgan Currier joined by phone for the election of new board members.

The meeting was called to order at 9:30 a.m. by acting board chair, Scott Fleming.

Mary motioned to nominate the four new USAS board members: Tina Treviño-Murphy, Karen Li, Lili Hadsell, and Billy Yates; Jill seconded the motion. The new USAS board members were unanimously approved.

Agenda Review: Agenda was reviewed without objection.

Board Meeting Minutes of June 22, 2012: Jill motioned to approve the minutes; Jeff seconded the motion. Minutes were unanimously approved.

Treasurer's Report: Jim stated that he had reviewed financial reports for the first two months of the fiscal year and all was in order.

Executive Director's Report: Scott discussed the factory fire at Ali Enterprises in Pakistan, which killed nearly 300 workers during a night shift. All but one of the factory's exits were locked, preventing workers from escaping the blaze. Scott explained that several weeks prior to the fire, the factory had received a certification under the SA-8000 certification system, operated by Social Accountability International, an indication of the very serious problems with this and other industry-run certification schemes. The WRC has been working with a number of organizations around the world to bring more attention to this matter. To date, German retailer KiK has been the only identified buyer at Ali Enterprises. No other brands have voluntarily come forth nor been identified.

Scott provided an update on the Bangladesh fire safety agreement. Since the Hameem factory fire in 2010, the WRC has been working on developing a binding program to address fire safety issues in Bangladesh. The program would include mandatory safety inspections to be performed by trained, professional fire safety inspectors, with publicly reported results and with mandatory repairs and renovations as necessary, paid for by the buyers. Unions and worker representatives would play a meaningful role, not just in administering the program, but also in having access to the factories to train workers on fire safety issues and broader worker rights issues. To date, PVH (owners of Tommy Hilfiger, Calvin Klein and other brands) and the German retailer Tchibo have signed on to the agreement. Despite months of intensive negotiations with Gap, which is one of the largest buyers of apparel from Bangladesh, Gap did not agree to sign. Advocacy groups that have been involved in this work will be doing what they can to convince Gap to reconsider their

position. The WRC hopes that those efforts will be successful and that Gap will return to the table ready to make the kinds of commitments that will enable an agreement to be reached. If the WRC is successful in signing an agreement with Gap, then it will be necessary to get at least one more major brand on board before the program can be triggered and go forward. If that can happen, the WRC will reach out to all university licensees and ask them to participate, creating a program that can have a meaningful impact in Bangladesh in terms of fire safety and workers' rights.

Scott then discussed a number of factory cases in Central America, two of which involve Gildan, a company the WRC has been engaging with regarding labor rights violations at a textile factory in the Dominican Republic. Gildan recently became a substantially more important part of the collegiate supply chain due to its purchase of Anvil Knitwear, a large producer of blank apparel. As a result of the Anvil purchase, Gildan has now become adidas' largest supplier in the hemisphere, and also a supplier of collegiate apparel for adidas. Star, an apparel factory in Honduras where the WRC had previously reported violations of associational rights in 2008, was acquired in May 2012 by Gildan as part of their acquisition of Anvil. The WRC recently reported that union members at Star were violently threatened and harassed by anti-union workers in collusion with factory management. In addition, management failed to notify the union on important policy changes. The WRC communicated these findings to Gildan. Gildan, prior to responding to the WRC, fired the worker who was responsible for the threats and fired a manager who had played a key role in the anti-union campaign. Gildan also pledged to take a number of other corrective actions. The WRC is closely monitoring to ensure that these commitments are carried out. At the Annic factory which is now owned and operated by Gildan and located in Nicaragua, there is a company friendly union in place; workers recently formed an independent union that has been the subject of a campaign of harassment and intimidation by management. There are also other labor rights issues that have been raised including health and safety issues and underpayment of wages. The independent union filed complaints with the Nicaragua Labor Ministry, which attempted to conduct inspections at the factory but were met with non-cooperation by management and ultimately issued findings against the factory both on the substantive issues and on management's non-cooperation. The WRC contacted Gildan regarding this issue earlier in the year, asking the company to take a series of corrective steps, which they pledged to do but have largely failed to follow through on. Although the company did agree to recognize the independent union and pledged to meet with them on a weekly basis, the company failed to follow through on this commitment. The company continues to meet regularly with the company friendly union while ignoring and taking steps to undermine the independent union. The WRC is sending a new communication to Gildan outlining their continued non-compliance with the law and university codes.

Scott then discussed the Pinehurst and Augusta factories, which are both major suppliers to adidas. At Pinehurst, the WRC has been engaged in a lengthy process of trying to address violations of associational rights involving the creation of a company union in response to an organizing campaign of an independent union. Ultimately, the company union was eliminated, and the independent union was recognized at Pinehurst and a collective bargaining agreement was eventually signed. However, management has failed to comply with this agreement. The Augusta factory was opened in 2011 by the same individual that owns Pinehurst, creating concern on the part of the workers at Pinehurst that the August factory opened as a means of rerouting production out of Pinehurst. The WRC has begun to collect evidence concerning labor practices at Augusta. A

union formed there shortly after the factory opened and the company responded by firing four leaders of the union, a very similar course of events as to what took place after the formation of the union at Pinehurst. The workers were ultimately reinstated, but management continues to maintain hostility to the union and to workers exercising their associational rights. The owner of these two factories has taken only minimal corrective action. The WRC plans to press for a joint meeting between the owner of the factory, adidas, Nike, and the leaders of the two unions to address these ongoing issues. There is clearly a lot of work to do at Augusta and continued work to do at Pinehurst.

Jeff then updated the board on discussions with Russell. The Jerzees de Honduras campaign by USAS resulted in an agreement to reopen the factory and rehire the workers and to recognize the union negotiating the agreement. The factory has been expanded and now employs 1150 workers, almost all of them former Jerzees de Honduras workers. Of the 1250 employees that were laid off, there are only 36 that are available to work who have not yet been re-employed, which is a tremendous accomplishment. Russell has now developed a partnership with the union and has agreed that the CGT union will represent all of the workers at the plant. There is now a union that has been recognized at a second factory, Jerzees Buena Vista, which is beginning the process of negotiating a collective bargaining agreement after being recognized in July, which is another great achievement. The company has agreed to meet with the CGT to negotiate the schedule for the rollout of freedom of association trainings, union access, union establishment recognition and negotiation and their other facilities. The Russell agreement has been a tremendous achievement for apparel workers in Central America.

Ben provided a final update on the training program for the California Division of Labor Standards Enforcement (DLSE). Last spring, the WRC was asked by California Labor Commissioner Julie Su to train the state's wage-and-hour inspectors on methods for conducting worker interviews. The trainings focused on two aspects of the WRC's work: (1) conducting worker interviews outside of the workplace, where workers feel safe and comfortable talking about working conditions and (2) partnering with unions, worker centers, and other organization in the community that advocate for workers' rights. The training program was largely developed by Ben Hensler, Jeremy Blasi, Tara Mathur, and Matt Sirolly from the Wage Justice Center. Trainings were conducted for 130 wage and hour inspectors in Sacramento, Oakland, Los Angeles, and San Diego over a period of three weeks in May 2012. At Commissioner Su's request, the WRC developed a manual on strategies and techniques for doing worker interviews based on the training, which the WRC will be able to use in multiple contexts.

Scott delivered an update on the PT Kizone case in Indonesia where over 2,800 workers were denied legally mandated severance after the factory closed. Nike, directly and through its agent, Green Textile, contributed close to half of what the workers are owed. Adidas has refused to pay the workers any severance, claiming that it has no obligation under university codes to remedy labor rights violations and that its only obligation as a university licensee is to not place new business at factories that have been shown to be in violation of the code. Over the last six months adidas has done the following: (1) adidas has distributed \$250,000 in food vouchers to workers, despite worker representatives formally communicating to adidas that they objected to the food vouchers since it was not an appropriate mechanism for compensation; due to the poor design of the voucher program, many workers have been forced to sell their vouchers for less than face

value, (2) adidas has created a job placement program that, by the company's own acknowledgement, has proven ineffective, and (3) adidas has convened a summit in Switzerland to discuss how to solve the problem of non-payment of legally mandated severance to workers in the context of layoffs in factory closures, a step which has no bearing on the outstanding code violations at PT Kizone. The WRC is encouraged by the fact that universities are taking the labor rights situation at PT Kizone very seriously. The WRC is cautiously optimistic that, ultimately, workers will receive the money that they earned.

The WRC has had conversations with adidas on the broader problem of unpaid severance since 2001, yet adidas has not taken meaningful preventative action. A program is needed in which factories are required by their customers to set aside funds against the severance credits workers accrue every month in accounts that the management cannot access – or a comparable means to ensure that money is there in the event that a factory's severance obligation is triggered. Such a program can only be implemented if brands and retailers take responsibility for doing so.

Ben provided an update on the pending court case between adidas and the University of Wisconsin-Madison, which has a sponsorship agreement with adidas. On July 13, the University of Wisconsin-Madison, represented by the state Attorney General, filed a lawsuit against adidas seeking a declaratory judgment that adidas violated its sponsorship agreement with the university by failing to ensure the compensation of the Kizone workers, meaning the university is asking the court to state affirmatively that adidas violated the contract which would then give the university the legal right to terminate the contract if it chose to do so. In mid-August, adidas replied to the lawsuit, essentially making the same argument they've made to universities, that the company is under no obligation to remedy the violations at PT Kizone. Also in August, the union representing the Kizone workers filed a motion in the state court in Wisconsin to intervene in the case as beneficiaries of the contract; the workers' argument is that the agreement, including the code of conduct in the sponsorship agreement between adidas and the university, establishes labor standards that would benefit the workers and therefore the outcome of the case is going to have a significant impact on the workers' interest. The union is being represented by a San Francisco based law firm. This lawsuit is the first time that enforceability of university codes of conduct and the ways in which they apply to employees of subcontractors will come before courts in the US. Adidas is opposing the union being added as a beneficiary and intervening in the case, but adidas has not filed its brief with its arguments as to why the union should not be able to join the case.

Field Staff Report: Mary reported on a number of cases she had the opportunity to work on with field representative Mehedi Hasan during a fellowship in Bangladesh. Mary first reported on an investigation at factory called Vertex which was prompted by an inquiry from affiliated United Kingdom universities. There were news reports of three separate incidents of violence at the factory, which included the deaths of two workers and a third worker who was badly injured. Vertex, which is a large facility in the Dhaka area that employs several thousand workers and produces for Phillips Van Heusen, Old Navy, Zara, and several others. There were multiple violations found at the factory including a delay in giving workers appointment letters, which confirm their employment at the facility and specify job duties; the use of underage employees; mandatory overtime; refusal of sick/family emergency and monthly leave; irregular and late payment of wages; and reclassification of workers to avoid complying with the recent increase in the minimum wage. In addition, workers indicated that the stairs leading to the top floors of the

factory were very narrow and believed that not everyone would be able to escape the nine floor building in the event of a fire.

There were two other factories Mary and Mehedi investigated (factory names could not be disclosed at the time of the meeting), both in the Chittagong export processing zone and both producing for major US and European brands. Violations found at the first factory included a lack of access to safe drinking water and failure to provide drinking water breaks; under-compensation of women on maternity leave; mandatory overtime; insufficient monthly leave; refusal of sick/emergency leave; and sexual harassment of female workers. In addition, to avoid paying the increased minimum wage, highly skilled workers were fired or promotions were delayed. Violations found at the second factory included firings of two union leaders on baseless charges and the hiring of thugs by management to engage in violence against union leaders. Although the union is recognized by the government, management continues to dispute the union's legitimacy and refuses to recognize or negotiate with the union.

Ben reported on an investigation at the E Garment factory in Cambodia, disclosed by VF as a collegiate supplier, and also a supplier for Zara, H&M, PVH and Kohl's. The WRC began investigating in August 2010 based on complaints received from workers which focused on violations of freedom of association. The violations date back to 2007, well before the WRC became involved in the case. The workers formed the union C.CAWDU at the factory in 2007 and submitted a list of their founding officers and union members to the company. Almost as soon as the company received the list, they began targeting union members for termination. Thirty-six union members were terminated. The terminated workers brought their case to the Cambodia Arbitration Council which ruled that the workers should be reinstated since the firings violated their right to freedom of association, but the company refused to reinstate the workers. The union then called a strike and the company terminated 25 more of the union workers, totaling 61 terminated union members. Inditex pressed E Garment to reinstate the fired workers. The company agreed to reinstate the workers and pledged to negotiate a collective bargaining agreement with C.CAWDU. In 2009, 28 workers were reinstated, but the company failed to reinstate the remaining 33 workers. In July 2010, 400 of the workers submitted a written request to the company to stop deducting dues from a union at the plant favored by the company, and instead, deduct dues for the C.CAWDU union; the company refused. Also in 2009, the C.CAWDU union led a mobilization across the country to get prominent garment factory owners to agree to bargain over an industry-wide wage for workers. As a preliminary step to this campaign, the union started gathering signatures on a petition. The union leaders within the E Garment factory were gathering these signatures on July 31 when they were attacked by members of the company favored union on the production lines at the factory. Several members of the C.CAWDU union were severely beaten and hospitalized. After the attack, both unions filed police complaints against each other. E Garment management sought permission from local authorities to fire eight union officers and members of the C.CAWDU union and four members of the company favored union for engaging in the fight. The labor authorities granted the company permission. The WRC requested from E Garment footage of a surveillance video filmed in the factory on the day of the incident. After review of the footage, it was clear that the company favored union attacked the C.CAWDU union members and that the company favored union had falsified information in the police report. There were also fabricated hospital records for members of the company favored union; however the WRC found that there were legitimate claims of hospitalization by the C.CAWDU union

members. Following the incident, the WRC presented this evidence to factory management and requested that they reinstate both these C.CAWDU workers and previous workers who had been terminated. After the company reviewed the evidence, they agreed to reinstate both the terminated workers from their 2009 agreement and to reinstate the C.CAWDU workers terminated following the recent attack; however, again, the company failed to follow through on this commitment. The eight terminated C.CAWDU members fired after the attack took their case to the Arbitration Council who ruled in their favor, but the company refused to implement the council's decision. The WRC reached out to brands, but PVH was the only brand to respond. After pressure from PVH, the company reinstated two of the C.CAWDU workers, but there has been no other action to reinstate the remaining workers. This is one of the most troubling cases of freedom of association violations the WRC has seen in Cambodia.

A presentation was provided by Yannick Etienne of the Haitian union federation Batay Ouvriye on the current labor rights situation in Haiti.

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

The meeting was adjourned at 3:44 p.m.