

Minutes of
WRC Governing Board
October 6, 2005

Attending: Katie Quan, Alejandra Domenzain, Liana Dalton, Saamir Rahman, Marcella David, Jay Marano, Mark Iozzi, Emil Totonchi, Doug Shaw, Jim Wilkerson, Melanie Stratton, Katie Quan, and Scott Nova. Also attending in part were Thea Lee in person and Jill Esbenshade by phone. Also attending in part were Anne O'Rourke, Nancy Steffan, Bethany Renner, Lorraine Clewer, Jeremy Blasi, Agatha Schmaedick, Allie Robbins (USAS), Jessica Rutter (USAS), and Jalal Haddad (USAS). Attending briefly by phone for the ratification of new members was Mary Nagle. Unable to attend were Jim Brudney, and Mark Barenberg.

Opening Remarks: The meeting began with an explanation from Scott Nova that due in part to absences caused by the previous rescheduling of this meeting, there would not be a quorum present until later in the day. It was agreed to proceed with introductions and with Jim Wilkerson acting as chair until formal votes could be taken.

Executive Director's Report: Scott began with a basic review of finances noting that the official treasurer's report would be submitted as soon as WRC Treasurer Jill Esbenshade joined the meeting by phone. Scott called attention to the balance sheet and profit and loss statement for the first quarter of Fiscal Year 2005 indicating total income of \$519,206 and total expenses of \$228,182. He explained that about 50% of affiliate fees had been collected which is the normal schedule. Scott also explained that foundation income is generally received later in the year and reviewed individual foundation prospects. On the profit and loss statement, a question was raised about the line item for staff development and the value of developing an employee-by-employee plan. Scott also stated that the WRC is seeking a new auditor to enable a quicker auditing process. It was agreed that in future, the WRC would report the line item for FSA liability as a total figure and delete the current employee-by-employee breakdown.

Scott listed the most recent affiliates including the University of Colorado at Boulder, Michigan State University, the University of Maryland, and Stetson University, as well as the upcoming affiliation of the University of Chicago. There was also a brief discussion of the status of non-university entities including the draft contract for the WRC to serve as an enforcement agent for the City of Los Angeles. Scott stated that there were some outstanding issues concerning confidentiality and transparency particularly in terms of the City proposing itself as legal owner of factory investigation materials. It was suggested that the WRC explore a "working papers" model that could address these concerns, while seeking to ensure proper confidentiality especially concerning the identity of witnesses and adequate provisions for the WRC's use of investigation materials. Scott reiterated that this work, along with similar proposals from the city of San Francisco and Canadian Catholic school boards, will be limited due to its experimental nature but should be valuable in any case by enabling the WRC to contribute to broader code enforcement efforts.

Jill then joined the meeting by phone and indicated that the audit committee had evaluated and approved the financial reports.

The Future of University Code Enforcement: Scott then began the presentation of a proposal from USAS for a Designated Suppliers Program. The proposal has been put forward by students at approximately 42 campuses and seeks to reorganize university apparel production and address basic obstacles to code enforcement by asking universities to direct licensees to procure logo

apparel from supplier factories that would be designated by the WRC. A lengthy discussion began with the issue of the fair pricing requirement and the suggestion to clarify that workers rather than factories would still be the primary source of initiating the filing of complaints. The broader discussion moved to the issue of what the Board needs to do on this proposal. Points raised in the discussion included concerns that the proposal may be a departure from WRC founding principles of not trying to certify “good” companies, concerns that this would make the WRC too functionally similar to the FLA, concerns about antitrust issues, concerns about possible trade implications relative to specific regions and countries, and the need to conduct dialogue and get feedback from the University Caucus. Scott and others made several points including the fact that no factory currently meets the proposed criteria, that the issue can be viewed as more complex than traditional certification given that a dynamic process is being considered, and that the economic impact of fair pricing should be relatively limited. Scott stressed that the original WRC model was not being repudiated but rather extended to embrace additional approaches and he provided suggestions to structure the continuing discussion including addressing the substance of the USAS proposal; the implications for the WRC; and procedural issues including what action the WRC Board should consider. Scott raised the issue that this may be a necessary direction for code enforcement given that the WRC has made significant progress and had a major impact at the factory level but all this progress is at risk if buyers leave factories that improve their code compliance. The two choices may be to continue the current model and risk growing failure or try a new model that addresses the barriers of price pressure and diffuse leverage, and the need to use rewards that direct business to factories that improve their code compliance.

Points raised in the continuing discussion included the need to canvas the University Caucus; perspectives on the WRC being a verification agent rather than an enforcement agent; supportive statements recognizing the urgency for action in the post-MFA environment; additional supportive statements about its potential contribution to more effective code enforcement by addressing fundamental price issues and reducing the overwhelming number of factories and thus concentrating leverage; the need to obtain appropriate legal advice on antitrust and price fixing issues and articulate a plan to address licensee and shareholder concerns; consideration of the possible impact on affiliate recruitment and retention; and the question that if a factory meets the human rights criteria it may be valuable to consider if specifying a required percentage of university logo production is unnecessarily restrictive.

[Officers, Minutes, and Elections: Mary Nagle joined the meeting by phone and the Board voted unanimously to ratify the new Board Members: new USAS representatives Emil Totonchi (Georgetown University), Saamir Rahman (University of Michigan), and Melanie Stratton (University of North Carolina, Chapel Hill). The departing Board Members were thanked for their services: Jennifer Chien (Duke University), Kirstin Jackson (University of California, Berkeley), and Mary Nagle (Georgetown University). The election of new officers was also approved by unanimous vote: Jim Wilkerson as Chair from the University Caucus, Thea Lee as Secretary from the Advisory Council, and Emil Totonchi as Treasurer from USAS. The minutes were also unanimously approved with one correction to the identification of USAS Representative Mark Iozzi (Western Washington University).]

The discussion of the USAS proposal then resumed. The Board ultimately and unanimously with no abstentions approved the following statement concerning the proposal put forward by United Students Against Sweatshops: The proposal for revamping university code of conduct enforcement that has been put forward by United Students Against Sweatshops speaks to fundamental obstacles to the effectiveness of universities’ current code enforcement efforts. This proposal merits the serious consideration of the WRC’s affiliate universities.

Licensee Obligations: Jim Wilkerson referred to the discussion that was held at the previous board meeting and presented an updated draft of the list of obligations of licensees of WRC affiliate institutions. It was noted that this list seeks to address difficulties that sometimes arise in communications with licensees and in obtaining cooperation with code compliance efforts. It was explained that the current draft incorporates comments on formatting made at the last board meeting and was reviewed by the subcommittee consisting of Jim Wilkerson, Doug Shaw, Jill Esbenshade, Liana Dalton, and Mark Iozzi. One unresolved point was raised in connection with the last bullet under Item 5 listing WRC Responsibilities to Licensees which states, "Wherever feasible, the WRC will try to reach agreement with licensees on remediation, prior to a report being published." Points raised in the ensuing discussion included questions about any interference with the appearance of independence, support for the qualifier "wherever feasible", the positive contribution of licensee input, and clarifying that agreement is sought in relation to remediation and not in relation to any report. A vote was held on the motion to delete this bullet and was passed with one opposing vote and two abstentions.

The discussion continued with reference to quarterly data disclosure requirements. It was generally agreed that this document is consistent with similar requirements in the WRC bylaws, that the WRC should continue to explore how it can assist with the implementation of these requirements especially among institutions not affiliated with the CLC or LRG, and that individual institutions can modify and customize the document as needed. Additional points raised included the likelihood that this document would probably be used mostly in contract renewal talks and so should not create any overload in communications. It was also agreed to empower the subcommittee and WRC staff to address concerns with consistency by adding a statement to the effect that this list is not exhaustive and that institutions may from time to time enhance or alter their codes in ways that affect the list of obligations. The Board voted unanimously with no abstentions to approve the document with the addition of a statement to address consistency concerns. The document will be posted on the website and circulated to affiliates.

Coca-Cola Investigation: Scott provided background on the Coca-Cola investigation beginning with issues arising concerning bottling workers in Columbia which led the WRC to canvas its affiliates resulting in a mixed response including some objections that led to any potential investigation being tabled. Discussions then took place between Coca-Cola and individual colleges and universities including a meeting in May where it was decided to form an investigative commission. As the composition of the commission was finalized, the WRC was able to accept a request to provide assistance in drafting the investigation plan. At its most recent meeting, the commission requested that the WRC carry out this plan. This will not be a standard WRC investigation but rather the WRC will provide coordination under the authorship of the commission. Also, WRC will not incur any costs for this investigation but rather the colleges and universities involved are providing the necessary funding of approximately \$100,000. Related needs were outlined including consulting with the WRC Board, and providing that the institutions involved in the investigation consult with the WRC affiliates that originally stated objections. The original objections appear to be addressed in terms of minimizing the overextending of WRC resources, and considering security concerns for which the commission undertook a study that recommends seeking the support of the Colombian government and other necessary parties. Scott offered to circulate by email a list of the affiliates that originally objected. There was a general sense that this is not a high internal priority for the WRC but could be valuable in assisting workers in Columbia and in being responsive to the institutions concerned with this action. The involvement of the WRC is still tentative depending on the final shape of the investigation that will emerge after full consideration by the commission and by Coca-Cola. The following motion

passed unanimously with no abstentions: The WRC is authorized to participate contingent upon the investigation proceeding in a manner reflecting WRC principles and practices.

Scheduling the Next Board Meeting: To facilitate future scheduling, it was agreed that the WRC would seek to schedule board meetings on Mondays and Fridays only; and designate primary and back-up dates. The next Board meeting was tentatively scheduled for January 20, 2006 (Friday) with January 30, 2006 (Monday) designated the back-up date. A confirmation email will circulate soon.

Deputy Director Hiring: Scott and the Board met in Executive Session to discuss the hiring of a Deputy Director.

Updates from Field Staff on Factory Investigations: Brief updates were provided by Lorraine Clewer Field Director/Latin America (updates on regions and countries including Dominican Republic, Honduras, and El Salvador); Agatha Schmaedick, Field Director/Southeast Asia (updates on regions and countries including Indonesia, Philippines, Malaysia, Cambodia and China); and Jeremy Blasi, Field Representative (updates on regions and countries including Southeast Africa and Turkey). It was generally agreed that the updates provided further evidence of the urgency of considering new approaches to code enforcement given the widespread impact of MFA phase-out, and actual and threatened layoffs and factory closings.

Adjournment: The meeting was adjourned with thanks to all for their participation.