

To: WRC Affiliate Universities and Colleges

From: Rola Abimourched, Ben Hensler, and Scott Nova

Date: December 16, 2021

Re: WRC Assessment of Labor Rights Violations at South China Headwear (China)

This memo details the findings of the WRC concerning labor rights violations at South China Headwear (Shenzhen) Co. Limited (“South China Headwear”), a factory located in Longgang District in Shenzhen, China.

Based on data provided by CLC, the factory is a supplier of collegiate products to Captivating Headwear and Top of the World (which, subsequent to these violations occurring, were purchased by the licensee, Fanatics, Inc.), Vantage Custom Classics, Global Sourcing Connection, GenTeal Apparel, and Ahead (which has since ceased its sourcing relationship with South China Headwear). During discussions with Fanatics on remediation of the violations identified at the factory, Fanatics informed the WRC that South China Headwear appears in the disclosure data for Captivating Headwear and Top of the World by mistake and that while the factory was used for collegiate products up to 2017, thereafter, Top of the World sourced non-collegiate products from the factory.

The WRC’s assessment identified a number of violations of Chinese law and university codes of conduct, including:

- Requiring workers to work overtime hours in excess of the maximum legal limit of 36 hours per month; on average, workers performed up to 113 hours of overtime per month prior to the Covid-19 pandemic and 75 hours per month after the start of the pandemic;
- A policy under which the factory does not guarantee workers even a single weekly rest day;
- Unlawful wage deductions, amounting to 400 renminbi (US\$61) per month, including (1) deductions for services not used by all workers, such as for housing in factory-provided dormitories and food, and (2) taking punitive deductions from the final wages of workers who resign before they complete one year of service at the factory;
- Failure to enroll a substantial number of workers in government social insurance programs; depriving them of the benefits these programs provide; and
- Unsanitary conditions in the factory-provided dormitories and failure to provide cooling systems in the male dormitories, despite excessive heat levels.

Note: It is important to note the increasing difficulty of conducting monitoring work in China. Growing security concerns for investigators, and the disappearance over the last several years of practically any space for civil society organizations to operate, constrains our ability to communicate with workers and to do so on an ongoing basis. While we are generally able to overcome these challenges from the standpoint of evidence gathering, it has become harder to ensure effective remediation, since verifying implementation over time requires ongoing communication and consultation with workers. We are concerned about our ability to confirm ongoing implementation

of some remedies in this case but will do so to the greatest extent feasible.

The WRC communicated our findings and recommendations for remediation to the licensees, asking them to engage with South China Headwear on developing a corrective action plan. Ahead, Fanatics, and Vantage Custom Classics were responsive to this request. Fanatics and Vantage Custom Classics, which continue to have sourcing relationships with South China Headwear (although not for collegiate-licensed apparel in the case of Fanatics), played a critical role in pressing the company on remediation.

South China Headwear has taken some significant measures to remedy the violations, in particular the factory has:

- Enrolled all workers in Social Insurance, an important gain for the well-being of workers at the facility;
- Committed to separate the fees for use of factory-provided accommodation and food, and to itemize these fees on workers' paystubs; and
- Committed to clean and properly maintain the factory-provided dormitories and to install a thermometer and conduct daily readings of the temperature in the summer months in the male dormitories.

However, South China Headwear has not committed to corrective actions on a number of issues.

South China Headwear has not agreed to provide back pay to workers whose wages were deducted for services they did not use.

Though it has agreed to monitor temperatures in the men's dormitories, the company has not committed to install air conditioning, saying it wants to "survey" workers as to their preferences. Given the testimony the WRC gathered, it is obvious that workers would very much like to live in dormitories where the temperatures are not grossly uncomfortable. We cannot see the company's insistence on a survey as anything other than evasion, and we are not confident that any survey would be conducted in a reliable manner.

The factory has not committed to cease, in a timely manner, the imposition of illegally long overtime hours and to guarantee workers at least one rest day per week. The factory's position is that it is willing to commit to these measures but that it will not be able to do so for as long as 18 months, citing a need to reorganize production. While a brief period of adjustment (a matter of weeks) might be necessary before changes are fully implemented, a year and half of continued violations does not constitute adequate remediation.

Since South China Headwear has shown some willingness to implement remedies, and in view of the fact that university-related buyers represent only a modest portion of the factory's customer base, we are optimistic that further commitments can be secured if other, non-collegiate customers are engaged and press the company. The WRC is in the process of reaching out to a number of other buyers. However, it is important to emphasize that, under university codes of conduct, collegiate goods cannot be made in a factory that does not provide workers with at least one guaranteed rest day per week. If further remedies are not secured, the WRC will recommend that licensees cease using this facility for university logo goods.