January 27, 2016

Mark Schlissel, President
University of Michigan

Dear President Schlissel,

Thank you for copying me on your November 23, 2015 response to USAS’ November 19, 2015 letter expressing concerns regarding Nike, Inc. Independently, we have received detailed communication from the Workers Rights Consortium (WRC) about the issues raised by Nike. During its monthly meeting on December 11, 2015, the advisory committee (PACLSHR) discussed the recent developments concerning Nike’s apparent refusal to allow the WRC access to its supplier factory Hansae Vietnam—which produces collegiate products—as well as its possible mischaracterization of the role of WRC in monitoring and assessments it conducts on behalf of the universities. Although we are not in position to carry out our own investigation, we have spoken to WRC and Nike to get clarifications. We have also contacted FLA and plan to reach out a few peer schools to discuss the issue.

The situation is complex because FLA, ILO’s Better Work, and WRC play different roles in ensuring labor compliance; a brief description of these organizations is provided in an annexure to this letter. Our University requires our licensees to be members of FLA but we also work with WRC. In contrast to FLA, which provides the companies with tools and guidance in achieving labor standards as well as conducts factory monitoring, WRC is a complaints-based organization and solely works for its member universities. WRC does not conduct routine monitoring but investigates complaints of potential violations in University licensed goods supply chains. This role of WRC as an independent monitoring agent of the University codes is critical. Nike, on the other hand, relies primarily on its own Code of Conduct and Leadership Standards and has turned to FLA and ILO’s Better Work for factory assessment and compliance to supplement to their own assessments.

As regards the Hansae Vietnam factory situation, it appears that WRC was denied access it considered necessary to complete an investigation of adherence to labor standards and human rights. Not surprisingly, Nike has its own perspective and disputes WRC’s right to access. Because a university’s right to independent third party verification of its code compliance by its licensees and their supply chain partners would typically be enshrined in a
private contract between the licensee and a university, it is impossible for us to know whether in this case Nike’s refusal of access to WRC is a violation of specific contract terms.

Because we do not currently have a contract with Nike, the University of Michigan is not directly implicated in the dispute between Nike and WRC. The situation, however, does raise a number of concerns for us regarding our future relationship with Nike. Our University is dedicated to the ethical and responsible stewardship of its resources. To help achieve our ethical vision, we have adopted a code of conduct whose guiding principle is “all goods displaying the University of Michigan label must be produced in accordance with our Code of Conduct, international labor standards and respect for human rights and dignity”\(^1\). While we work with multiple organizations in promoting these standards, our need for transparency and ability to seek an independent investigation should a situation of dispute arise is essential. The University’s licensing contracts, for example, commonly provide a clause that stipulates that in case of arising concerns, the licensee and the University will work together to ensure that all Michigan licensed products are produced in accordance with the guiding principles of the university code of conduct and that, should disputes arise, both parties will agree to meet in person within thirty days to discuss the issue and come to a mutually agreeable resolution. To protect the University’s interests, however, the contract with Nike should allow the University to seek independent investigation on its behalf. Because the impending sideline agreement with Nike will have the effect of superseding other standard agreements\(^2\), we also urge you to ensure that the new contract makes explicit reference to the University Code of Conduct and expectations that Nike will comply with it fully.

As we progress with our inquiry regarding the Hansae Vietnam dispute we will provide you with updates on that situation as well as any other information we receive about Nike’s policy and performance regarding labor standards and human rights.

Thank you.

Sincerely,

Ravi Anupindi

---

\(^1\) Code of Conduct for University of Michigan Licensees, March 2014.
\(^2\) Typically a standard form agreement signed through the Collegiate Licensing Company (CLC), which ensures University code adherence, transparency of licensee supply chain for licensed goods, and right to seek independent investigation, should such a need arise.
Annexure I

Fair Labor Association

Founded in 1999, FLA is a collaborative effort, a multi-stakeholder initiative that invites participation from all organizations committed to promoting fair labor standards around the world—companies and brands, civil society organizations, colleges and universities, suppliers and manufacturers, conscientious retailers, and others. The association’s history dates back to 1996, when President Bill Clinton convened a meeting of multinational companies and NGOs at the White House to discuss improvement of working conditions in the apparel and footwear industries. FLA operates around the world in industries ranging from agriculture to technology to apparel and footwear. The organization has headquarters in Washington, D.C., and offices in China, Switzerland, and Turkey.

Members join FLA as Participating Companies, Participating Suppliers, or Collegiate Licensees based on size and expressed level of commitment. As FLA Participating Companies, some of the world’s largest and best-known brands have committed to instituting fair labor practices and safe and humane working conditions throughout their supply chains. Similarly, FLA Participating Suppliers demonstrate their commitment and effort to buyers (brands) and other stakeholders who cared about factory conditions in product supply chains. Collegiate licensees play an essential role in upholding the commitment their universities have made to protect workers’ rights worldwide. Licensees are required to register with the FLA and meet specific obligations based on revenues. By affiliating with FLA, licensees have access to one-on-one guidance and tools, resources, and materials to help them develop compliance systems that respect workers’ rights throughout their supply chain.

FLA places the onus on companies to voluntarily meet internationally recognized labor standards wherever their products were made, by offering a collaborative framework through which to administer a third-party complaint process.¹

Worker Rights Consortium

The Washington, D.C.-based WRC was founded in April 2000 by university administrators, students, and international labor rights experts. The WRC was created as an independent labor rights monitoring organization to assist universities with the enforcement of their labor rights codes of conduct, which were adopted to protect the rights of workers producing apparel and other goods bearing university names and logos. At the time of its founding, the WRC had the support of 44 universities. By 2015, the organization’s total number of college and university affiliates reached 184.

WRC conducts independent, in-depth investigations; issues public reports on factories producing for major brands; and aids factory workers in their efforts to end labor abuses and defend their workplace rights.² The WRC also maintains a searchable online factory disclosure database that contains names and locations of factories around the world that produce goods bearing college and university names and logos. The database could be searched by college or university, by a licensee company, or by country. Data on suppliers include names of licensees, products supplied, contact information, and a list of supplied universities. The WRC Web site made available all information on any labor rights assessment the organization has conducted.

Better Work
Better Work is an independent programme of the International Labor Organization (ILO), the labour specialists of the United Nations, and the International Finance Corporation (IFC), the private sector development specialists of the World Bank. Better Work is dedicated to private sector development and improvement of working conditions. Better Work is a global programme operating in eight countries that are supported by a global team constantly developing new tools, training staff, monitoring quality and assessing impact.

In all countries, apart from Cambodia, Assessment and Advisory Services are purchased annually as a package (and cannot be purchased separately). The service currently starts with a baseline Assessment; followed by Advisory Service which includes intensive coaching to allow managers and worker representatives to address the issues they want to focus on in their enterprise. The goal is to focus on root causes of problems and to find systemic solutions that will be sustainable over the long term. The programme focuses on ensuring that managers and workers create strong communication channels to avoid unnecessary disputes.

In Cambodia the assessment model is the same but Advisory Service is purchased separately.iii

---

iii Better Work: General Questions on Better Work <http://betterwork.org/global/?faq-category=i-general-questions-on-better-work>