President’s Advisory Committee  
On Labor Standards and Human Rights

MINUTES  
May 26, 2016, 9 – 11 AM  
R5020, Ross School of Business

Attendees: Ravi Anupindi (chair), Kristen Ablauf, (by phone), Stacey Glemser, Sioban Harlow, Susan Waltz, Rebecca Wren, Britney Rashleigh (staff to committee)

Absences: Kelsea Ballantyne, Khaled Eid, Eni Kruja, and Nicholas Rine

Guests: Sharla Settlemeir, VP, Nike – Sustainable Manufacturing and Sourcing; Kit Morris, Senior Director, Nike – College Sports Management; Lawrence Root, Professor, School of Social Work; Jinyun Liu, Program Manager, Institute for Research on Labor, Employment, and the Economy.

Committee Discussion of Nike Contract, Nike Senior Leadership Meeting and Committee Closeout Items

In preparation for the their meeting with Nike’s Senior Leadership team to discuss the University's new partnership with Nike, committee members deliberated over talking points and questions they would like to ask Nike’s representatives. In particular committee members agreed that they would like to learn more of Nike’s social responsibility monitoring and how it is unique amongst large University Licensees. They also expressed interest in receiving an update on Hansae Vietnam, learning more of Nike’s perspective on the incident and the current relationship Nike maintains with the Worker Rights Consortium (WRC).

Chair Ravi Anupindi asked committee members for their feedback on Research Assistants (RAs) Kristine Schantz and Ian Hecker’s presentation that took place on April 22nd, 2016. Kristine and Ian were hired by the committee in December of 2015 to conduct an analysis by category of the University's non-licensed goods procurement. Committee members agreed that the presentation provided a foundation for the committee to continue researching the potential monitoring of labor standards and human rights in non-licensed goods procurement. They decided to, in their annual report to the President, request funding for continued Research Assistant support. Future RAs will move forward with exploring 1 – 2 categories of procurement, their supply chains, current monitoring systems and how these systems could be used by the committee to conduct monitoring of labor standards and human rights on behalf of the University. The Chair agreed to draft a memo to President Schissel summarizing the findings of the student team along with a request for continued research.
Meeting with Nike Senior Leadership

Committee members and guests introduced themselves. Sharla Settlemeir discussed her background with Nike in more detail, sharing that she used to be Nike’s General Manager of Manufacturing in China and has been in her current role as Vice President of Sustainable Manufacturing and Sourcing for the past seven years.

Ms Settlemeir gave an overview of Nike’s approach to Corporate Responsibility (CR). In particular, Nike adopts an approach of “beyond compliance” and where accountability of CR within Nike’s manufacturing operations with board level oversight. In the past several years, Nike has begun embedding sustainability practices into its business processes. Since assuming her new role, Nike has shifted towards LEAN manufacturing to increase process efficiency and has worked to enact positive cultural and management systems change on the grassroots manufacturing level. The company has taken steps to incentivize compliance with Nike’s Code of Conduct as well, growing with and providing resources to compliant companies and taking on a slow-paced divestment in those that are non-compliant.

To focus their engagement efforts, Nike also began a process of responsible divestment. As a result and over the past five years, factories producing Nike apparel has reduced from 1200 to 660. Ms. Settlemeir and her direct manager regularly report on compliant and non-compliant factories to Nike’s board of directors.

Committee members inquired how Nike conducts factory audits and what kind of non-compliant issues they typically encounter in doing so. Ms. Settlemeir responded that the company follows a pay-to-play model where non-compliant factories pay for their own audits and resulting remediation. Most commonly they encounter issues of non-compliance with central government labor laws.

Committee members remarked on current worldwide trends that focus on shifting production to factories in low cost countries. They inquired how Nike overcomes the challenges this may present in ensuring labor standards are still being upheld as they expand their company’s production. Ms. Settlemeir shared that Nike complete a risk assessment on countries before agreeing to partner with them, taking into consideration a variety of factors. They do the same when considering growing production in a country and typically pursue expansion with partner programs that have met and/or exceeded the standards Nike’s Code of Conduct upholds and expects. Ms. Settlemeir encouraged the committee to review Nike’s recently released Sustainability Report, which addresses the company’s philosophy and practices in this regard.

Committee members requested an update on Hansae Vietnam and the status of WRC’s request to be allowed access into the factory. Ms. Settlemeir responded that the factory is currently labelled a ‘red light’ factory, flagged for non-compliance
issues identified by Nike Investigators. Providing more context on Nike's relationship with the factor, Ms. Settlemeir stated that the factory manufactures for 30 different brands and Nike comprises only 8 percent of their current production. Most recently, the company has asked the Fair Labor Association (FLA) to conduct an investigation, which is currently being conducted through Cornell and look forward to receiving their findings. While they remain unable to require factories to allow the WRC inside their doors, they were pleased to learn that the FLA has taken up an expanded investigation and are doing so in partnership with the WRC.

Ms. Settlemeir highlighted the challenge of varying maturity levels of different brands around social responsibility issues and articulated the need to coalesce brands around common standards. She wondered if a university could host such a forum.

The meeting adjourned at 11:00 AM.