The committee discussed these questions during a conference call with FLA executive director Rutledge Tufts and university liaison Kathy Stevens.

Tufts explained that the FLA is not primarily a “policing” organization. Normally the FLA would only get involved in a situation such as PT Victoria after the filing of a third-party complaint. The FLA’s third-party complaint procedure allows parties such as a community organization, NGO, union, or relative of a worker to file a complaint. Tufts explained that the FLA at present is dealing with approximately a dozen third-party complaints. Category A and B licensees who belong to the FLA have about 4,200 factories where codes of conduct are supposed to be in effect.

Although no third-party complaint had been officially filed in the PT Victoria case, the FLA became directly involved in the situation. The FLA recognizes that solutions are not easy to find when workers are owed money upon closure of a factory. In the case of PT Victoria it appeared that Indonesian law imposed a legal obligation on the factory owner to pay severance pay. But the factory owner had not previously been obligated to set aside money in an escrow account for such severance payments. After the FLA determined that the owner of PT Victoria factory was in serious financial trouble and not able to pay the workers, it started negotiations.

The negotiations explored possible solutions such as obtaining money from other factory operations, government involvement, or using a licensee’s material and staff time. The FLA recognized that, in contrast to the factory owner, the licensee had no legal obligation to make severance payments, although it might be considered by some to have an ethical or moral obligation. Primarily, Eddie Bauer’s responsibility was to make sure that the supplier factory obeyed Indonesian law.

Generally, since the FLA is not primarily a policing organization, it requires licensees to ameliorate and resolve problems at the factories they use. Two powerful tools to strengthen the compliance process are the rule of law in individual countries and freedom of association, which allows workers to use collective bargaining to arrive at solutions. The FLA expects licensees to implement programs that will bring positive change over time. Individual licensees have to ensure that there are procedures in place to handle complaints within a supply chain. The obligation of a company is to put in place dispute resolution processes.

The FLA structure places the burden on licensees to implement the code. Although licensees are expected to help seek remediation in the case of a supplier violating its obligations, they are not required to communicate with the FLA when problems arise with a supplier factory.

One of the committee’s questions concerned the accreditation of Eddie Bauer while the dispute with workers from PT Victoria was going on. Tufts explained that when the FLA accredits a company, it makes a judgment about the processes that the licensee has established to implement/monitor its code of conduct. The FLA accredits the process to deal with a problem and evaluates whether there are mechanisms in place to deal with violations of the code or the law. When deciding to accredit a licensee, the FLA considers past and present third-party complaints against supplier factories. In accrediting Eddie Bauer, the FLA made a judgment that there was a process in place that allowed complaints to be handled in a reasonable manner. Tufts did not know if Eddie Bauer ever notified NGOs about complaints.

The committee approved the minutes from December 2, 2005.
4. **Designated Supplier Proposal**
Because there was not sufficient time for a discussion of the Designated Supplier Proposal, committee members agreed to have an additional meeting on January 27, 12:00-1:30 p.m.

5. **Adjournment**
The meeting was adjourned at 11:00 a.m.