EXECUTIVE SUMMARY

Our findings and recommendations are summarized below.

The President’s Advisory Committee on Labor Standards and Human Rights advises the University concerning policies and practices to ensure that corporations engaged in the manufacture of licensed goods, bearing the University of Michigan name and/or logos, are not engaged in unlawful or unconscionable labor practices.

In 2012-2013, in accordance with the charge to the Committee by the President, we focused on monitoring code enforcement and promoting University leadership in corporate citizenship with respect to fair labor practices, human rights, and sustainability in its licensing operations. The University continues to benefit from the U-M’s participation with the Collegiate Licensing Company (CLC) Corporate Responsibility Pilot Program aimed at strengthening code compliance through the licensing process.

In addition, our major activities included a) responding to a complaint involving adidas, America Inc. and the PT Kizone factory in Indonesia, b) drafting a preamble and a remediation clause for the U-M Code of Conduct, c) consideration of a licensee proposal by Levi-Dockers, and d) discussion of the Fair Labor Association’s (FLA) initiative with category B licensees.

In the educational arena we hosted Dr. Bama Athreya who gave a public lecture titled “Protecting Human Rights: The Challenge for Business in the World’s Riskiest Places” at the Ross School of Business on November 27, 2012. This was a collaborative event by our committee, the Ross Leadership Initiative, the Tauber Institute for Global Operations and the Erb Institute. We also helped support efforts by the United Students Against Sweatshops (USAS) to bring worker representatives from the PT Kizone factory to campus to meet with students and members of the committee. We have discontinued the summer internship program in Bangladesh since the Center for International Business Education from the University (CIBER) has been reorganized.

In the operational arena we:
• Continued our ongoing review of the impact of the CLC Corporate Responsibility Pilot Program to incorporate compliance evaluation as part of license renewals on the UM Licensing program; and,
• In November 2012, implemented updates to the paragraphs in the UM Code of Conduct for the categories of Child Labor and Compensation upon agreement by the President’s office as stated in her October 31, 2012 letter. The committee continues to analyze the discrepancies between the existing text and the intent of the code identified by the
Committee during evaluation of PT Kizone case and makes the following recommendations:

**Recommendation 1**
That the code be revised to include a preamble. The committee consulted with former committee member Peter Jacobsen to draft a preamble to the Code of Conduct. The preamble is attached as Appendix I to this report.

**Recommendation II**
That the Code of Conduct be revised to include a statement on remediation. Committee member Ravi Anupindi drafted the remediation clause located in Appendix II.

In the monitoring arena we
• reviewed cases of ongoing concern identified by our monitoring bodies, the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC);
• investigated and made recommendations to the President regarding the University response to a complaint involving PT Kizone and adidas. A resolution was announced on April 24, 2013. Details on the agreement between the union and adidas remain unknown at the time of this report.
REPORT OF THE COMMITTEE

This President’s Advisory Committee on Labor Standards and Human Rights advises the University concerning policies and practices to ensure that corporations engaged in the manufacture of licensed goods, bearing the University of Michigan name and/or logos, are not engaged in unlawful or unconscionable labor practices.

This year, the Committee has representation from LSA (Political Science), Licensing, the Ross School of Business, the School of Public Health and the Ford School of Public Policy, the International Institute, Financial Operations, Procurement, and Engineering.

In 2012-2013, in accordance with the charge to the Committee by the President, we focused on monitoring code enforcement and promoting University leadership in corporate citizenship with respect to fair labor practices, human rights, and sustainability in its licensing operations. The committee recommends U-M’s continued participation with the CLC’s Corporate Responsibility Pilot Program aimed at strengthening code compliance through the licensing process.

I. Educational Leadership

- The Committee joined with the Ross Leadership Initiative, the Tauber Institute for Global Operations and the Erb Institute to co-sponsor Dr. Bama Athreya’s (UM Phd ’97) campus visit November 26-27, 2012. Dr. Athreya is the Special Advisor to the International Labor Rights Forum (ILRF). Her campus visit included a public lecture at the Business School on the 27th on the topic “Protecting Human Rights: The Challenge for Business in the World’s Riskiest Places”. She also met with the Committee for a discussion of the history of the labor standards movement since 1999, new frontiers in the field of labor standards, and the recent Bangladesh garment factory fire. She discussed the ILRF’s fire safety initiative drafted in March 2012 addresses the root causes of endemic fire hazards in that country’s garment industry. She and the committee discussed where college licensing should be involved in these efforts.
- Committee member Ravi Anupindi, Professor of Operations Management at the Ross School of Business, attended both the FLA University Advisory Council (UAC) and the WRC annual meetings on April 25-26 in Washington, DC.
- The Committee discussed the possibility of organizing a conference in 2014 at the University of Michigan to commemorate 15 years of the work of the University in ensuring labor standards and human rights through the CoLSHR. Potential topics include: reproductive rights, labor rights, addressing critical issues, garment factory fires, role of business in labor issues, advancing structural issues such as severance pay, etc. The conference would be an opportunity to identify areas for which the committee could encourage more engagement especially on a campus where courses on labor are decreasing in number.
- The Committee hopes to invite Lisa Rudgers or a representative from her marketing group to a 2013-2014 meeting to speak to discuss potential ways to
include licensing issues within the current branding discussion. We recommend that this be on next year’s committee agenda.

II. Operational Leadership

• The committee continued to review the impact of the CLC’s Corporate Responsibility Pilot Program on the UM Licensing Program.
  o Currently four schools are participating: UM, UCLA, UNC and Wisconsin. In its third year, the licensing program is seeing a decrease in its non-approval for renewals.
• We updated the Code of Conduct in November, 2012 upon receipt of the October 31, 2012 approval letter from the President’s office.

III. Compliance Issues and Procedures

• The Committee reviewed cases of ongoing concern identified by our monitoring bodies the Fair Labor Association (FLA) and the WRC.
• The Committee met with representatives from the PT Kizone factory in Indonesia along with student representatives from USAS to discuss the dispute with adidas and possible remedies.
• Until its resolution in April 2013, the PT Kizone case required specific action by the Committee. The committee reviewed the guidelines for acting on complaints and proceeded in accordance with those guidelines. Recommendations to the President’s office were made throughout the year. In February, the committee met with the Associate General Counsel, Mark Nogueira. Following that meeting, the committee recommended that the President’s office consider giving adidas a 45-day notice to submit a plan for remediating the outstanding issue of legally mandated severance. In the event that a plan was not forthcoming or the committee deemed the plan insufficient the committee would reassess the University’s contract with Adidas and consider recommendations including the possibilities of non-renewal or termination. The President’s office adopted the recommendation, sending adidas a letter on April 4, 2013. On April 24, 2013, the committee received news that adidas and the PT Kizone union had reached an agreement regarding the severance pay.
• The Committee supported committee member, and past chairperson,Prof. Siobán Harlow’s trip to Lausanne, Switzerland in October 2013 to attend a Global Forum for Sustainable Supply Chains meeting. The purpose of the meeting was to discuss the systematic problem of non-payment of severance. As of February 2013, the Global Forum is engaging with the MicroInsurance Centre and other insurance experts, as well as universities, international institutions and civil society organizations, to discuss the possible creation of an insurance-like program that would safeguard termination benefits for retrenched workers. Dr. Harlow has agreed to continue her participation in these meetings.
• The committee considered a request by Levi-Dockers to be approved as a U-M licensee even though they lack affiliation with the FLA. The Committee discussed at length the issues of precedent, clarity and how the University relies on its monitoring partners to address monitoring issues in a way that is transparent and ensures investigation if issues arise. After securing from the company a
commitment to make reports available to the committee and CLC and to allow external monitoring paid for by the company if the need arises, the Committee voted to recommend that the Levi-Dockers U-M licensee application be accepted, with a special, one-time exemption from FLA membership requirement.

Suggestions regarding 2013-2014 committee activities

Based on activities of the Committee to date and issues pending as of May 2013, issues that will likely need attention in the upcoming year include:

- Evaluation of the feasibility of continuing a summer internship program and the status of funding internship opportunities through CIBER
- Host Lisa Rudgers or another representative from her marketing group to a 2013-2014 meeting to speak to the committee about ways to include licensing issues within the current branding discussion.
- Continue the discussion of the FLA’s initiative with category B licensees

See Appendices I and II below

Appendix I

Code of Conduct for University of Michigan Licensees

Preamble

The University of Michigan is dedicated to the ethical and responsible stewardship of our resources. As an educational institution, we place the highest value on ensuring that everyone connected with the University of Michigan works to enhance our ethical standards.

An important component of our commitment to ethical leadership is the President’s Advisory Committee on Labor Standards and Human Rights. To help achieve our ethical vision, the University of Michigan adopts the following Code of Conduct.

The Code’s guiding principle is that all goods displaying the University of Michigan insignia must be produced in accordance with our Code of Conduct, international labor standards, and respect for human rights and dignity. We expect our licensees to:

- Collaborate with the University of Michigan to improve labor standards
• Collaborate with the University of Michigan to move toward a living wage for all workers who produce goods displaying the University of Michigan insignia
• Implement our Code of Conduct in conjunction with other organizations whose mission is to improve labor standards, including the Workers Rights Consortium (WRC), Collegiate Licensing Company (CLC), and the Fair Labor Association (FLA)
• Enter into remediation and dispute resolution, using processes as recommended by the Advisory Committee on Labor Standards and Human Rights.

For purposes of this Code, the term licensee shall encompass all of a licensee’s contractors, subcontractors, factory workers, or manufacturers that produce, assemble, or package finished University of Michigan licensed articles for the consumer. Our commitment is to improve the labor conditions throughout the licensees’ supply chain.

Appendix II

Remediation: When a violation of the code of conduct occurs, remediation of the violation by the Licensee is expected. If a Licensee has failed to self-correct a violation of the Code, the University will consult with the Licensee (for itself and on behalf of its contractors, subcontractors, or manufacturers) to determine appropriate corrective action. The remedy will, at a minimum, include requiring the Licensee to take all steps necessary to correct such violations. If agreement on corrective action is not reached, and/or the action does not result in correction of the violation within a specified reasonable time period, the University reserves the right to terminate or not renew its relationship with any Licensee that continues to conduct its business in violation of the Code.