President’s Advisory Committee on Labor Standards and Human Rights

Meeting Minutes
January 11, 2017 – 8:30 a.m. – 10:00 a.m.

Attendees: Ravi Anupindi (Chair), Kristen Ablauf, Michael Counts, Sabrina Bilimoria, Khaled Eid, Mary-Catherine Goddard, Nicholas Rine, Omolade Adunbi, Sioban Harlow, Rebecca Wren, Kristy Demas (staff)

Committee Business

Chair Anupindi called the meeting to order at 8:35 am. Minutes from the December 5, 2016 meeting were discussed and NRine moved to adopt them. SHarlow seconded the motion and the minutes were approved. Mary-Catherine Goddard requested the opportunity to make some edits to her internship report included in the minutes and Chair Anupindi agreed to share the word document with her for editing.

Operational Leadership

KAblauf had no specific report other than it was business as usual in Licensing at Athletics.

Research and Education

Chair RAnupindi announced there was an overwhelming response to the call for research assistants for the University non-licensing goods project. The selection committee chose five students - three graduate students and two undergrad students – inclusive across the campus. LSA, Engineering, the Ross School+SNRE (via Erb Institute), and the Ford School are represented. The LSA and Engineering students are undergraduates. MCounts will serve as the key liaison with University Procurement Services for this research team.

The research team’s kick-off meeting, attended by MCounts and RAnupindi, took place on Monday January 9, 2017. During this meeting, the motivation, previous work, and scope of this follow-on project were discussed. Based on these discussions, the student team will be take the initiative to draft a project scope document and identify the deliverables. The team will agreed to meet weekly.

As of January 10, there was only one application submitted for the PACLSHR graduate summer travel award. Chair RAnupindi suggested a reminder be sent out. NRine reminded us that students might be waiting until closer to the deadline to apply, which is January 22.

The timeline for deliberating the review of applications (for travel award and summer internship) was discussed and decided that the end of January is fine for
notifying the awardees. January 31 was deadline for the summer internship applications which we can process in two weeks. SHarlow said we should divide the group into two groups to review travel applications and Sumerra internship applications.

Chair Anupindi asked to be notified if there’s any interest in the non-licensed project – or if any other faculty interested in core advising.

**Monitoring and Compliance**

*ESEP*

As a follow up to earlier committee meeting discussions regarding the Ethical Supplier Engagement Program (ESEP), Chair Anupindi had reached out to Liz Kennedy, Vice President of CLC to discuss ESEP committee members; Liz has agreed to come in person to our next meeting in February. Jason Roberts of Sumerra, who implements the ESEP, has also agreed to be available to speak to the committee whenever requested.

Chair RAnupindi also reported that Liz Kennedy expressed interest in having a UM student review various audit / investigation reports (of FLA/WRC/CLC, etc.) to distill key learnings for how a small / medium size licensee could progress on improving labor standards and human rights in its supply chains. KAblauf reiterated that gathering information and processing them for licensing decisions is sufficiently time consuming, leaving little time to tackle the issues identified with the licensees. It is often not enough to tell the licensees to improve. Several need guidance. What guidance can UM provide? At the same time, we need to recognize that licensees may have different needs / use different approaches to reach similar outcomes. Without being too specific, it will be useful to develop some general guidance, especially for small / medium size licensees. RAnupindi reported that several of the strong applicants to the non-licensed procurement project, who could not be selected for that project, were very eager to work in this space. SHarlow suggested that the Institute for Research on Labor, Employment, and the Economy (IRLEE) might do this kind of work? This would be a good student project and would be good to get an undergraduate student in as part of the team – maybe a Business School student. There were so many good applications for the research position with many of the students offering to go pro bono. SHarlow also suggested finding ways to make this like an ongoing project.

*Nike Hansae Vietnam Factory Investigations*

Chair RAnupindi then brought the committee’s attention to the Nike Hansae Vietnam factory investigation reports and Nike’s letter to President Schlissel. While President Schlissel had acknowledged receipt of their letter to Nike, he also was expecting the committee to deliberate the matter and send our response to him.
The committee was provided with reports from both the FLA and the WRC for their review. Chair RAnupindi reported that he had spoken over the break with Scott Nova of WRC and Jorge Perez Lopez & Jessica Rocha of the FLA.

A brief timeline of events relating to Hansae Vietnam factory investigations is as follows: The first inspection by FLA was conducted in October 2015. At the time the main issue was a brief strike by workers at their factory number 5 concerning bonus payments. This was triggered by a complaint from Cornell University earlier in the year. Subsequently, WRC had conducted its own investigations with workers outside the factory and released a report in May 2016, which identified issues other than bonus payments and in several factories. A detailed assessment of several of the issues identified by the workers would require access to factories and its management. Nike, however, was refusing WRC’s request of access to its supplier factories. In response to a third party complaint filed by the University of Washington in June 2016, FLA conducted a second investigation using their comprehensive Sustainable Compliance (SCI) methodology in July 2016. Meanwhile, a few other universities call for a joint meeting of the FLA and the WRC appealing them to work together. FLA decides to temporarily withhold publication of its report from the second investigation but shares a draft with the WRC. Later in Fall, a joint investigation team from FLA and WRC conducted another detailed investigation of Hansae Vietnam factories. The team comprised of four from FLA, five from WRC and some Nike associates. This is the first time ever the two organizations conducted a joint investigation and that overall the process was a positive experience. Reports of this last investigation were released on December 6, 2016.

RAnupindi reported that in his discussions Scott Nova expressed general satisfaction with the investigations and willingness on the part of the supplier and Nike to take suggested remedial actions. He said that addressing some of the outstanding issues might take time and considerable investments. Chair RAnupindi also learned from these discussions that there are approximately 30 audits per year across the various factories of Hansae and yet it is surprising that so many of the issues highlighted by the joint investigation were never found. SNova said none of the routine audits include off-site interviews. SHarlow reminded that audits are different from investigations. SNova also indicated surprise that factories claimed to be unaware of the issues identified in these investigations.

SNova emphasized that their investigation and findings was evidence that WRC is very valuable to have as an independent investigating agent. SNova reported to RAnupindi of Nike’s continued intransigence in this matter to not allow access its factories to WRC.

Chair RAnupindi also reported briefly on his discussions with the FLA regarding its multiple investigations. FLA reviewed the timeline of their three investigations.

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1 Hansae Vietnam is collection of 12 factories.
RArunpindi asked them about what additional issues were highlighted during the third joint investigation with the WRC that FLA did not find during their second comprehensive investigation using the SCI methodology. FLA reported that most of the additional issues highlighted by WRC in their joint investigation were primarily in the area of Occupational Health and Safety. According to the FLA, in the joint investigation the WRC team members were OHS experts and therefore identified several issues in that area. FLA claimed that their SCI methodology does include OHS but in an investigation what aspects are identified/emphasized also depends on the expertise of the investigating team. It was reported that neither the countries nor the organizations have experts in OHS/industrial hygiene. Thus routine inspections tend to be more oriented towards labor. SHarlow commented that OHS is only a few decades old and a mature understanding of country specific OHS issues is in general lacking. For example, the issue of proper labeling is new even in the U.S., and unlikely to be expected in other countries. Given the newness of the issues and immaturity of the industry, it is likely that investigators do know the gaps to look for. There’s lack of knowledge about these issues in many parts of the world. And therefore investigating teams do know what they’re missing.

SHarlow said additional focus on OHS is something we could push as a next step. Also, we need to ensure that FLA has OHS experts. Do they have the expertise? Could they hire those experts? SHarlow suggested that we highlight to the FLA the need to build up its expertise in the area of OHS. She also added that we suggest to FLA that for complaints based investigations it needs to augment its in-factory investigations with discussions with workers held outside the factory. SHarlow suggested that the committee could write to the FLA highlighting these issues. RWren suggested to request a written document of their investigation process from the FLA.

The other distinction between approaches of FLA and WRC center around suggested remedies. FLA generally gives guidance but not specific instructions, leaving specific action up to the discretion to the factory. On the other hand, WRC gives specific instructions. However, both FLA and WRC think that remediation actions and future improvement is possible.

KAblauf asked if we are looking at this from a big picture or focused on specific findings. Major investments needed but looks like there is hope for the remediation actions to be taken care of.

Because FLA uses a sampling approach to conduct routine audits, it had never before audited the Hansae factories. The series of investigations were triggered by complaints. What about Nike’s own internal assessment? Why were these issues missed? What can be done? FLA and Better Works are the official investigators. Can Nike give us access to Better Works investigations?

RArunpindi said the findings from the December 2016 FLA and WRC reports are unfortunate. While steps appear to be in place to address the issues, he wondered
how these were never identified / addressed before. What have we and the respective stakeholders (FLA/WRC/Nike) learned from this process? We need to think about how such issues will not occur in the future. SHarlow was concerned about why the OHS issues were missed.

OAdunbi thinks we should talk to Nike first. Their letter (to President Schlissel) was very vague and not detailed enough. What steps are they taking? SHarlow agrees we should talk to Nike. It would be interesting to see how Nike sees these issues and who is responsible for training globally? RWren suggested we ask Nike to speed up process of independent investigations by WRC.

NRine added that there is a question of union activity and the idea that the leadership of the union happened to be top management folks, which is absurd. If there were any serious problems wouldn’t the investigators want to talk to the union leaders - such as rampant complaints about folks being cheated on their money? If there were a serious union, there would be a lot of discussion about this.

Another instance relates to how are production quotas were set. As reported they were based on samples leading to unreasonable production levels expected of workers. Hansae and Nike should know standards for production quotas. What kind of guidance does Nike give, if any? Apparently, Nike has now admitted it was unreasonable and they need to adjust, because workers were working off the clock to meet production quotas. Some remediation has been agreed to but again, these should have been identified in an audit. Why weren’t they?

SHarlow said that what’s not on the books is not auditable and the only real way to find out is talking to workers outside of the factory. There will only be limited findings if only looking inside the factory. Thus capturing the voices of the workers is critical. Chair RAnupindi briefly talked about how technology is being used for this, giving the example of LaborVoices.²

Per Chair RAnupindi, we should send a short note to the President to let him know we have talked to WRC and FLA and now we need to get the Nike perspective - just to update the president.

RAnupindi also reported that he had received an email from SNova suggesting that Nike is proposing new licensing agreement language with schools, which aims to eliminate the rights of a university to choose own inspection agency. Committee members were concerned that Nike is limiting university/college input into independent investigations.

It was agreed that we should arrange for the committee to speak to Noel Kinder, Vice President of Sustainable Manufacturing at Nike to hear Nike’s perspective.

² http://www.laborvoices.com
Chair Anupindi will reach out to Noel Kinder to explore bringing him on the phone to our February meeting.

Because the issue with Nike Hansae Factory was more time sensitive, it was suggested that discussions with Liz Kennedy of CLC and Jason Roberts of Sumerra regarding ESEP could be postponed to another date, if necessary.

Meeting adjourned at 9:35 am.