President’s Advisory Committee on Labor Standards and Human Rights

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

Attendees: Ravi Anupindi (Chair), Michael Counts, Khlaed Eid, Mary-Catherine Goddard, Sioban Harlow, Nicholas Rine, Omolade Adunbi, Britney Rashleigh (staff)
Absences: Kristen Ablauf, Sabrina Bilimoria, Rebecca Wren
Guests: Dr. Linda Greer, Interim Director of the UM Biological Station and Senior Scientist at the National Resource Defense Council (NRDC)

Committee Business

Members welcomed Britney Rashleigh back to the committee after her maternity leave. Chair RAnupindi called the meeting to order by giving a high-level overview of the agenda that included a discussion on our report to the UM President and response to the FLA on Hansae Vietnam factory investigations, report from the Chair on the FLA University Caucus meeting, and a presentation from Dr. Linda Greer regarding her work on environmental issues in fabric plants in China.

NRine moved to accept the February 2017 meeting minutes; OAdunbi seconded and the committee approved the minutes.

Chair RAnupindi reminded that the Ethical Supplier Engagement Program (ESEP), which was discussed in the March 2017 meeting, is actually implemented by Sumerra LLC. He asked if there would be any interest in hearing about the program from Jason Roberts, CEO of Sumerra. Committee members felt it could be worthwhile. RAnupindi said that he is will try to schedule a call for the April meeting.

Operational Leadership

KAblauf was unable to attend the meeting but informed the Chair that she will send an update on licensee renewal status via email.

Chair RAnupindi then opened the discussion on the committee’s response to Nike Hansae Vietnam investigations. The committee had seen reports from the WRC and the FLA and also heard from the Nike team on the investigations. So what are some issues that we wish to highlight to President Schlissel? Do we have any action items to recommend? In writing our response to President Schlissel, he reminded that we need to address the specific issue with Hansai Vietnam as well as the more general issue around factory access for independent investigations. Through discussions committee members raised the following points:
• Recognition that remediation plans are in place and both Nike and Hansae Vietnam are taking responsive actions to the satisfaction of the FLA & the WRC.

• The attention given to the issue by the involvement of WRC has been useful.

• As per the findings it appears that Occupational Health & Safety (OHS) issues do not get sufficient attention during routine audits. Therefore, future audits / investigations need to strengthen their focus on OHS issue identification and remediation.

• Even though Nike is relatively small part of the business, it has signaled its seriousness about the issues by sanctioning Hansae Vietnam and reducing their overall business by 50% to 3%.

• The incident has also brought to attention the importance of WRC as an independent investigator, even though but for OHS issues, their findings largely corroborate previous findings by the FLA.

• On the issue of factory access, the committee felt that it is hard to give a third party blanket access to factories. Typically only government agencies can claim such blanket access. The committee should suggest that Nike give its good faith willingness to allow WRC / appropriate third party access to factories on an issue basis without inordinate delays. The Chair reminded that the University of Michigan contract already calls out for the use of third-party investigations when necessary but does not explicitly specify WRC.

• We should update President Schlissel that the issue of factory access to WRC is still on going. Perhaps we could request from the President to ask Nike specific reasons why WRC was not allowed access to know if there is a real coherent reason.

• Committee members wanted to know if Hansae Vietnam was the only event where WRC was denied access. Chair RAnupindi said he will confirm from Scott Nova of WRC.

• Regardless, the delay in allowing WRC access to Hansae Vietnam is certainly an issue. Even if blanket access is not acceptable to Nike, provision of issue-based access without delay is a reasonable expectation.

• Furthermore, we should request updates from Nike on the status of remediation by Hansae Vietnam within two months of next audit and then six months thereafter.

The committee also agreed that based on the issues identified through the multiple reports completed by the FLA and the joint investigation by the FLA and the WRC, a letter to the FLA would be appropriate. Such a letter should focus on the following:

• Stress the need to build OHS capacity in their audit teams. A few committee members felt that this may be difficult because typically audit team members are hired locally and OHS training and capacity in many of these countries is in general lacking.

• Chair RAnupindi, through his discussions with the WRC, had learned that about 30 audits are typically done on an annual basis at the Hansae Vietnam
factories. And yet these recent investigations revealed many issues that were unidentified before. Perhaps brands need to collaborate on audits so that a broader set of issues get covered and in more depth. Could FLA play a role in facilitating collaboration around audits by different brands? What else could be done to move the industry towards collaborative audits?

Chair RAAnupindi will draft the two memos, one addressed to President Schlissel and another to FLA and circulate to committee members.

Updates from FLA’s University Advisory Council (UAC) annual meeting

Chair RAAnupindi had attended the FLA’s UAC annual meeting in Salt Lake City held on March 2, 2017. He gave a brief update on a session from the UAC meeting regarding FLA’s guiding principles. A copy of the presentation was circulated. He reported that a working group of the FLA had surveyed universities to assess their view and engagement with the FLA. There was a general sense that the level of university engagement with the FLA was small; many simply pay their dues but do not participate / engage further. RAAnupindi reported that at the UAC meeting there was also discussion regarding whether there should be publicly recognized gradation on level of University engagement. He then solicited the committee’s opinion on the idea of having different levels of participation with the FLA. Should the FLA institute multiple participation levels? If so, what might be some expectation of university participation at each level? Due to time restriction, however, this discussion was tabled until the April 2017 meeting.

Research and Educational Leadership

Dr. Linda Greer, Interim Director of the UM Biological Station and Senior Scientist at the National Resource Defense Council, was invited to present her work on environmental issues in apparel industry under a program called "Clean by Design (CBD)". A few key summary points from this presentation (copy of slide deck is attached) include:

- The CBD study opens the curtain to the environmental side of apparel manufacturing. LGreer thought that there is an opportunity for the University here to engage.
- Modern manufacturing is mostly thought about as high-tech and clean, but most of what we buy is produced abroad – which is not clean at all (slide 4). LGreer suggested that globalization has led to this situation, primarily due to lack of governmental policies to cover what is going on internationally.
- Unclean manufacturing, however, has impacts worldwide and not just concentrated to where the pollution is created.
- The world, however, is becoming more transparent with respect to manufacturing. Real-time monitoring data is available (slide 6 showing factories that show compliance vs. non-compliant factories). This same
information gives historical (trend) data (slide 7), which provides a very potent tool for multinationals and the public who want to track supply chains.

- Public concern has also been on the increase. Brands have been called out by organizations like Greenpeace (slide 8).
- LGreer stressed the importance of engaging the private sector; the potential threats to their brand could be an incentive to get their participation. At the same time, she believed that government laws and regulation are also important.
- LGreer stressed the characteristics of environmentally responsible suppliers (slide 10), which include focus on environmental performance of their factories where compliance is mandated and audited and taken into account in sourcing decisions as well as practice a commitment to public disclosure and accountability.
- Recognizing these general issues, NRDC wanted to take up the cause by engaging the private sector and selected the apparel sector to demonstrate their approach. The reason to select the apparel sector was because it is one of top consumer facing sectors that also had significant environmental problems. The sector also provided opportunities to engage with the private sector through leading brands and retailers. To get to the source of environmental problems in the apparel sector, however, they had to reach back to fabric manufacturing where water consumption and pollution are significant.
- The key focus of the CBD program in the apparel sector is to demonstrate that better environmental performance is consistent with improving cost efficiency and simple low cost improvement opportunities can be identified. It also provided the brands/ retailers the opportunity to link this work to their broader participation in the Sustainable Apparel Coalition (SAC).
- Because of the important role China played in this sector, the CBD work primarily focused on factories in China. The program worked by identifying factories, offering them training, conduct site visits to identify opportunities for improvements, helping put action plans, implementing and later verifying the outcomes. The initiative had worked with about 100 mills and shown good progress delivering economic and environmental results (slide 17).
- The initiative was also expanded to factories in Italy that made products for luxury brands. It was felt important to demonstrate the importance of sustainability by adoption of such practices by the luxury brands; however, one caveat was that it could send a message that sustainability costs money.
- Finally, the program has been linked to the Sustainable Apparel Power coalition’s Higgs Index – a tool for all companies (even those that are not members) in apparels to benchmark their levels of environmental sustainability.
- LGreer concluded by suggesting that opportunity knocks. That the University of Michigan can think about talking with major licensee suppliers about this work, to ask them if they had benchmarked their performance with the Higgs
Index, and whether they had improvement goals. She thought that UM could take a leadership role in asking its licensees to reach back to Tier-2 suppliers to improve environmental performance.

- More generally, LGreer suggested that no University is looking at the CO2 footprint in their purchasing. She cited a few studies that showed that at least half of a University’s carbon footprint is in what it buys and not in what it produces. UM could take a leadership role to look into the environmental footprint of its procurement.

There was a brief discussion following LGreer’s presentation. Committee members wanted to know whether improving environmentally issues also improves occupational health and safety (OHS)? Perhaps this connection should be drawn out more. The issue of local capacity was also raised. For example, when the solution may be to build a waste-water plant, were there appropriately trained people to staff them? Members wondered whether the model of building legal structures in Cambodia work (by NRine) could be used to develop OSHA training in other countries. Universities need a push to take on this issue and help here.

LGreer also mentioned that one of challenges is that several Chinese manufacturers are outsourcing their production to Africa. NRDC, unfortunately, has no presence in Africa. Furthermore, they do not have any leverage with the Chinese government either. The only option at this point seems to be to work with the brands. But she is open to other ideas.

To a question regarding whether there were any serious labor issues other than OHS, LGreer said that there were not that many workers in this area of manufacturing (fabric production), though there were a few chemical exposure and OHSA issues.

There was also some discussion around whether the NRDC had a counterpart on food. Apparently, NRDC has a big US program on food waste and antibiotic use in livestock. They have been working on governmental regulation and the chicken industry’s use of antibiotics. They have also done a bit in pesticide reduction.

Chair RAnupindi concluded the meeting thanking LGreer and suggested that perhaps the committee to continue the discussion on whether to engage with Tier-2 and also discuss the Higgs index.

The meeting was adjourned.