President’s Advisory Committee
On Labor Standards and Human Rights

MINUTES
January 10, 2018, 2:00 – 3:30 PM
K4520 Ross School of Business

Attendees: Ravi Anupindi (chair), Kristen Ablauf, Michael Counts, Lauren Smith, Monika Johnson, Nicholas Rine, Fatima Nasir, Stephen Yaros (staff to committee)
Absent: Omolade Abundi, Khaled Eid, Richard Neitzel
Guests: Liz Kennedy, Vice President, IMG College Licensing

Committee Business

Chair Anupindi called the meeting to order at 2:06pm. Minutes from the December 4, 2017 meeting were discussed. LSmith moved to adopt the minutes and KAblauf seconded the motion and the minutes were approved unanimously.

Monitoring and Compliance

Chair Anupindi asked KAblauf to introduce Liz Kennedy, Vice President of IMG College Licensing, to the committee. Chair Anupindi mentioned that the committee was curious to learn more about new Fair Labor Association (FLA) guidelines, updates on the Nike Hansae Vietnam situation, as well as get her opinion on the recently created committee-sponsored student projects.

LKennedy started by talking about the new FLA guidelines. During the October 2017 board meeting, FLA approved changes to their collegiate licensee program. Under the modified program, a licensee joining the FLA would be placed in category B if its annual collegiate revenues exceed $5 million, or if it produces goods in at least 10 collegiate factories (in addition to the annual $50 million revenue threshold already in place). Licensees that do not meet this threshold would instead be placed in category C (more than $2.5 million in annual revenues) or category D (less than $2.5 million in annual revenues).

LKennedy commented that category B reporting requirements and oversight are more involved and formalized, and the threshold change made by the board decreased the number of overall licensees in this category. This is seen as positive, because many of the licensees that switched from category B to category C or D were those with smaller collegiate operations who were testing / exploring the collegiate market potential. Categories C and D still receive oversight, but at a lesser level that is consistent with the licensee size and collegiate revenues.

According to LKennedy, about two thirds of the licensees previously in category B were large companies (more than $50 million in total annual revenues) that had
minimal participation in collegiate projects. Because of the somewhat daunting expectations of category B, some large licensees were hesitant to enter into collegiate projects and contracts, which is not the goal of the FLA guidelines. In addition to change in criterion for categorization, FLA was also revamping its expectation and obligations of licensees in each category. Since these changes are new, its impact on licensee behavior and performance is to be determined. However, the FLA believes it will encourage companies to explore collegiate licensing by taking on smaller collegiate projects.

Chair Anupindi asked how this would affect the University of Michigan. LKennedy stated that nothing new needs to be done on the university end. She mentioned that this new system was more honest about the level at which licensees are at in terms of collegiate revenues. They will still receive oversight, just at a more appropriate level that corresponds to their operation. This should also help to make the FLA a more efficient organization.

MJohnson asked what type of companies are those that switched from category B to C with this change. LKennedy said they tend to be non-apparel; for example Whirlpool (dorm refrigerators), Milo (a Swiss watch company) were two such companies.

Chair Anupindi commented that these large companies should have been able to pass the stricter guidelines either way, so this is somewhat concerning. LKennedy stated that most large companies focus on legal standards, not FLA guidelines. However, more large companies are starting to realize that transparency isn’t a negative, and that it can help to make them stronger, safer, and more productive.

Chair Anupindi asked if the e-learning modules that category C and D licensees are required to complete are useful and impactful. LKennedy said they strongly recommend it to licensees, and that it has helped quite a bit. The e-learning modules make the topics easy to understand and introduce them in a way that inexperienced individuals can understand and apply.

Chair Anupindi then asked LKennedy to update the committee on the Nike Hansae Vietnam situation. LKennedy commented that while it took some time, Nike had finally agreed to comply with allowing the WRC to take part in the factory oversight process. She gave a lot of credit to Georgetown University, who was a major player in this effort with Nike. Nike had also agreed to sign the CLC standard licensing agreement making it easier for them to comply with university contracts. KAblauf confirmed that the University of Michigan legal team was aware of these developments.

1 While licensees in all categories were expected to adhere to the FLA Principles of Fair Labor and Responsible Sourcing Practices, category B licensees, in addition, were required to submit a list of all facilities where licensed goods were produced and complete the baseline and annual self-assessments in the FLA platform.
Research and Educational Leadership

Chair Anupindi stated that a newly created student project sponsored by the PACLSHR would assess what the university can do to help with category C and D compliance, and asked LKennedy to weigh in on the scope of the project.

LKennedy said that category C and D are wildly different with thousands of companies that have as many differences as similarities. The first step would be to parse out what the target group is within the broad framework of category C and D licensees that we want to examine and potentially help. Then, the key is to stress the benefits of compliance for these companies and help them realize the opportunity that goes along with it.

Chair Anupindi asked how student research assistants can add value to this project. LKennedy replied that they can explore what the predispositions are with these licensees and discover where the problematic points are with their efforts on compliance. It is important to engage small and medium sized licensees who may incorrectly think they are too small and have too few resources to comply.

KAblauf asked about ways to narrow our focus this study, given the limited time. LKennedy stated that there are lots of ways to do this, but it might be best to use non-revenue based criteria. Chair Anupindi commented that product category could be a good place to start. LKennedy suggested to select companies who may have knowledge of their supply chains thus ruling out most promotional products.

LKeneddy warned that a vast majority of smaller licensees, who are family owned businesses and do not have much brand equity, will not think issues about compliance necessarily concern them; such thinking springs from a mentality that the activist groups typically target brand name companies. KAblauf commented that these smaller licensees need to examine themselves and improve, and that their misconceptions are hurting them. Down the road, we could potentially bring small licensees to campus for a workshop and conversation about compliance trends. LKennedy suggested framing compliance issues for these smaller licensees less as an obligation but more as an opportunity. She suggested that students may benefit by referring to the OECD working papers for small / medium enterprises and the UN Guiding principles.

Chair Anupindi then mentioned that the other committee-sponsored project was about environmental concerns, which has traditionally not been the focus of licensed goods for most universities. He also mentioned of a new summer internship opportunity with the NRDC. The two projects will work well together because the first one frames the issue and the summer one with NRDC focuses on measurement.

KAblauf asked if the university should add questions to our licensee questionnaire concerning environmental issues. LKennedy responded by saying that licensees who
have undergone factory monitoring would be somewhat accustomed to details of environmental health and safety. ESEP has a fair number of questions that are concerned with this, so data from Sumerra may be available and helpful.

However, LKennedy continued by saying that asking broad environmental questions might yield inconsistent results. She also said that NRDC could be helpful because of their work in China and other places abroad.

Chair Anupindi mentioned that climate change perspectives have evolved and there is now huge pressure on brands to detoxify apparel and products.

LKennedy mentioned that screen printing is a large issue with companies and that it could be something to look at with this project. The focus would be on informing licensees what to look for in their processes and figure out what can be done to make them more environmentally friendly.

LKennedy stated that these environmental considerations are exciting to work on because the broader business community understands that they all need to move in this direction. She hears it all the time from licensees, universities, and other third-party organizations.

LKennedy concluded by offering the help of IMG and stating that they would enjoy hearing the student research assistants present their findings from the projects. Chair Anupindi thanked LKennedy for speaking with the committee and offering to help.

Chair Anupindi concluded the meeting by stating that there were 29 total applicants for the four student research assistant positions. He asked LSmith, FNa3ir, MJohnson, and RNeitzel to review and provide guidance on which students should be chosen for the positions.

Meeting adjourned at 3:31 pm.