

University of Michigan
President's Advisory Committee on Labor Standards and Human Rights

MINUTES

June 4, 2014, 1:00-2:30pm

Ross School of Business, Room R4020

Outdoor Cap Presentation to PACLSHR Committee

Attendees: Kristen Ablauf, Ravi Anupindi (Chair), Kelsea Ballantyne, Khaled Eid, Jim Gannon, Allen Hicken, Maya Menlo

Absences: Arjun Bhalla, Nick Rine, Susan Waltz

Guests: Nicole Tillman, Executive Vice President, Global Procurement and Compliance

Mindy Wallace, Director, Global Compliance

Kristin Strickland, Senior Global Procurement Analyst

- I. Chair opened the meeting with a welcome and round of introductions.
- II. Meeting focus based on President Coleman's April 1, 2014 acceptance of the PACLSHR recommendations as stated in the committee's March 3, 2014 letter to the President. See Appropriate Recommendations for review in the attached addendum.

III. Outdoor Cap presentation

NTillman briefly outlined Outdoor Cap's history and the global compliance experience of herself and her colleagues MWallace and KStrickland. When it comes to sourcing out of factories, Outdoor Cap's holds the view of reasonable and achievable capacity. They are committed, year-long partners with 20 factories in four countries employing approximately 300 people in three countries. Their college production takes place in China and Vietnam primarily because the capability to do embroidery work and ocean shipping lead times are shorter from these countries. Overall, they source roughly 49% of their total production (including non-collegiate business) out of Bangladesh.

They appear on the list of U-M licensees that source collegiate goods out of Bangladesh because in early January 2013 they needed to offset capacity for their factory in Vietnam. Outdoor Cap has influence over overflow as they are in direct communication with their factories on a daily basis. Regarding their Bangladesh factory, owned by a non-Bangladeshi and located in an Export Process Zone (EPZ):

- Their factory inspections have not been reported publicly now, but soon will be as per the National Tripartite Plan of Action.
- Workers' rights to refuse dangerous work handled in multiple ways through practical, sustainable methods: daily monitoring of sub-licensees to ensure against unauthorized subcontracting, a worker confidential hotline in the workers' native language, placement of suggestion boxes in the factories, and a non-retaliation policy written into their code agreement with the factory. Their factories, located in EPZs, are not multi-story buildings, implying that building safety is less of an issue. Regardless, OC did their own risk assessments in 2011, selected the oldest factory and worked with the factory local management to implement fire safety protocol following ILO and OSHA recommendations. They collaborated with CUET (Chittagong University of Engineering and Technology) to do the inspections and implement recommendations. The factory remediated 100% of all recommendations without questions. In

the meantime, they had a fire and safety audit done by TUVSUD PSB (<http://www.tuv-sud-psb.sg/>). All of the recommendations from those audits and those from CUET were completed by February 2014. OC paid for half of cost of the fire extinguishing system.

- OC's history with its factories demonstrates its commitment. They recently hired an award winning literacy NGO to teach literacy to select employees some of whom have since achieved promotion. Their fire safety training is a visual and an interactive training process for those that are illiterate. They also routinely work with NGOs.
- The future order outlook is positive. They plan to continue sourcing out of Bangladesh.
- They are willing to share inspection reports with the committee upon request.

Outdoor Cap ended their presentation.

IV. Committee follow-up

- OC responded to clarification questions from committee members. When asked why they had not signed the Accord, OC suggested that Accord would hold them back in inspections and remediation because their factories were in EPZ and likely classified as non-critical by Accord.
- After OC team left the room, committee members discussed OC's presentation. While several felt that OC was sincere in its efforts, they relied too much on the local government, and did not present a plan that came close to the Accord.

Committee meeting ended due to time constraints. Discussion to continue over email.

Addendum

I. Appropriate Recommendations for review:

- Recommendation #1

The committee recommends that the University reiterate to ALL its licensees the importance of honoring its Code of Conduct including the guarantee of health and safety of workers regardless of which country in the world they produce the goods and initiate and initiate procedures to require licensees to document how they ensure the same.

- Recommendation #2

All University of Michigan licensees who sourced, produced or purchased collegiate apparel in Bangladesh as of January 1, 2013, or do so at any point thereafter, will be required within 45 days to either sign the Accord or demonstrate to the satisfaction of the PACLSHR Committee that the licensees has:

- 1. A plan that is at least as good as commitments reflected in the Accord; and*
- 2. the capacity (and will) to implement and enforce their plan.*

II. In its letter to the President, “the committee felt that there were several elements that made the Accord substantially stronger and more likely to bring about meaningful change than the Alliance.” Specifically, strengths of the Accord include:

- The involvement of multiple stakeholders (with equal representation from brands and trade unions)
- Public reporting of factory inspections
- Guarantee of a worker’s right to refuse dangerous work
- Requirement to make binding commitments that ensure factory remediation, as deemed necessary
- A commitment to continue to maintain their order volumes with factories in Bangladesh for at least the first two years of the agreement.

The committee, however, also recognized that “there may be alternate ways to achieve the same end goal of a safe factory” with the onus on a licensee to prove its intent and commitment towards that goal. The committee’s analysis of Outdoor Cap’s plan will be assessed accordingly.