

WRC Methodology and Engagements with Licensees

FACTORY ACCESS AND COMPLIANCE MONITORING

INVESTIGATIVE METHODS

ELEMENTS OF AN INVESTIGATION



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- **Case Selection**
- **Initial Fact-Gathering**
 - Interviews
 - Documents
- **Review of Standards**
- **Management Interviews and Site Visits**
 - Interviews
 - Documents
 - Physical Inspection
- **Reaching Findings**
- **Formulating Recommendations**

CASE SELECTION

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INITIAL FACT-GATHERING: INTERVIEWS

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INITIAL FACT-GATHERING: DOCUMENTS



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REVIEW OF STANDARDS

- **University Codes of Conduct**
- **Standards referenced in codes:**
 - National law
 - International standards (e.g., ILO Conventions) and interpretation
- **Additional standards:**
 - Buyer codes of conduct
 - Collective bargaining agreements
 - Internal company rules

SITE VISIT

Interviews of managers,
supervisors, and other staff

Document review

Physical inspection



FACILITATING ACCESS

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DOCUMENT REVIEW

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RELEVANT DOCUMENTS

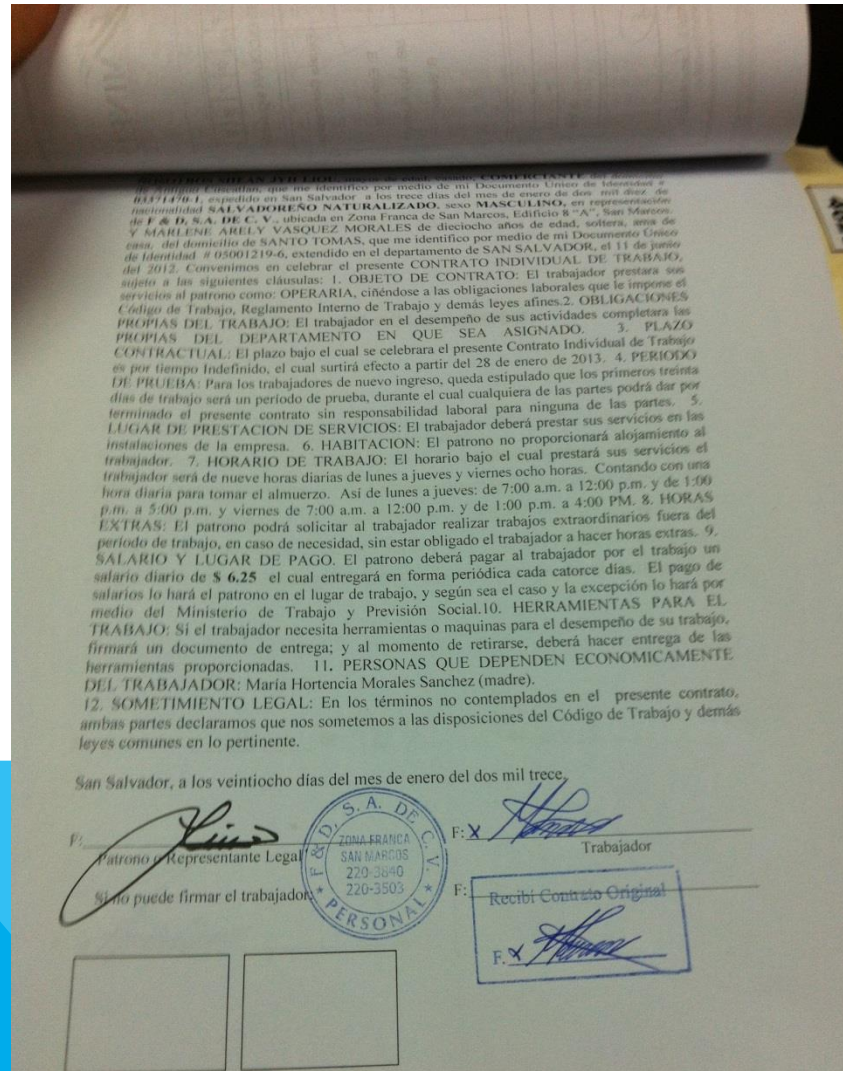


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Internal work rules
Payroll
Individual workers' personnel files
Attendance records
List of workers on maternity leave
List of workers currently pregnant
List of workers who are currently nursing mothers
List of workers who have recently taken sick leave
List of workers enrolled in health care system
Facility map
Company policy on freedom of association
Recent agreements made with employees and/or their representatives
Company policy on harassment and abuse
Company policy on annual leave, special leave and sick leave
Company policy on hiring
Company policy on disciplinary issues
Documentation from any training supervisors have received regarding verbal abuse, harassment, and/or disciplinary methods
Overtime sign-up/consent form
Forms used by employees when requesting to take leave

List of any chemicals used within the facility, including MSDS
Fire safety inspection results
Air quality inspection results
Drinking water test results
List of Occupational Health and Safety Committee members
Minutes of Occupational Health and Safety Committee meetings
Accident reports from the past year
Union registration papers
Dues deduction records
Any announcements currently or recently posted in the factory
List of workers organized by line and module
List of names and positions of all supervisors and managers
Production targets, production records, and bonus payments for each module
List of recently terminated workers
List of recently hired workers
List of workers who have recently resigned
Correspondence with Ministry of Labor
Results of Ministry of Labor Inspections
Record of union leave granted to workers
Clinic records

EXAMPLE: WORKER CONTRACTS



PHYSICAL INSPECTION

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EXAMPLE: SAFE CHEMICAL STORAGE

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EXAMPLE: PREVENTING MUSCULOSKELETAL DISORDERS

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MANAGEMENT INTERVIEWS

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IS ACCESS ALWAYS NECESSARY?

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STRONG FINDINGS, EFFECTIVE ADVOCACY

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The Worker Rights Consortium, Nike and Access to Factories Producing Collegiate Licensed Apparel

WHY WAS THE WRC FORMED?

The Role of the WRC:

- Established by universities in 2000 to “assist in the enforcement of codes of conduct adopted by WRC affiliate colleges and universities in order to promote better working conditions in the production of their licensed apparel...”
- The WRC is “an independent labor rights monitoring organization, conducting investigations of working conditions in factories around the globe.”

WHY DID UNIVERSITIES CHOOSE THEIR OWN CODES AND MONITORING INSTEAD OF RELYING ON NIKE'S CODE AND MONITORING?

University research found severe flaws in Nike's private PwC factory audit program:

“PwC ... missed major labor practice issues.... The factory inspection reports PwC produced paint a false impression of a factory's compliance PwC's monitoring methods are significantly flawed. Universities ... should consider other monitoring methods and should demand improvements in current monitoring schemes. Independent monitoring can play a positive role in improving factory conditions....”

– MIT Prof. Dara O'Rourke (Sept. 28, 2000)

UNIVERSITIES ADOPTED BINDING CODES IN LICENSING AGREEMENTS, REQUIRED FACTORY INSPECTIONS BY SCHOOLS' OWN DESIGNATED MONITORS



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“Licensee shall comply with Code of Conduct requirements as directed by the respective Collegiate Institutions and as described in this Agreement in order to remain in compliance with the License Agreement.

Licensee shall cooperate with CLC, the Collegiate Institutions and/or their agents or representatives in periodic inspections of Licensee’s factory sites to ensure that Licensee is in compliance with such Code of Conduct requirements.”

COLLEGIATE LICENSING COMPANY SPECIAL AGREEMENT
REGARDING WORKPLACE CODES OF CONDUCT

2003 - NIKE CSR DEPT. ARRANGES ACCESS TO FACTORIES FOR WRC



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PT Kolon Langgeng
Indonesia (2003)

- WRC investigation finds physical abuse of workers, forced overtime and failure to pay legally mandated compensation.

- Nike CSR head Dusty Kidd reports local Nike staff arranged access to factory for WRC representatives.

From: Kidd, Dusty

[mailto:Dusty.Kidd@nike.com]

**Sent: Wednesday, October 01, 2003
1:07 PM**

To: Scott Nova

“... Thanks, [S]cott. I'll fwd to Joe [Nike rep.] in Indonesia . . . we'll get back to you tomorrow.

[I] believe he was able to assist in a visit Agatha [WRC staff] and Rut [WRC board member] ... had to the sweater factory as well.

Rgds. DK”

2004 - NIKE ARRANGES WRC ACCESS TO FACTORIES OVER SUPPLIERS' OBJECTIONS



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Lian Thai – Thailand (2004)

- WRC investigation of Nike supplier finds serious violations, including use of homeworkers.

- Factory owner objects to WRC visit, but Nike urges factory owner to permit access.

- WRC visits factory on multiple occasions over two-year period to confirm violations remedied.

From: Rodriguez, Tammy

[mailto:Tammy.Rodriguez@nike.com]

Sent: Tuesday, March 23, 2004 6:46 AM

To: Scott Nova; Kidd, Dusty

“Dear Scott,

... Unfortunately, [Lian Thai’s owner] was not open to a factory visit on Monday, nor was he open to meeting with WRC staff. ... [But] [a]fter a lengthy discussion, he did understand why it is important for him to remain open in these situations.”

SINCE 2004, THE WRC HAS CONTINUED TO INVESTIGATE AND ADDRESS FACTORY VIOLATIONS THAT NIKE'S MONITORS MISSED OR FAILED TO CORRECT

- Firings of pregnant workers at Hong Seng Knitting (Thailand)
- Physical violence against workers at Dada Dhaka (Bangladesh)
- Blacklisting at Chi Fung (El Salvador)
- Punishment by physical confinement at Eagle Speed (Thailand)
- Creation of a company-controlled union at Pinehurst (Honduras)
- Assignment of physically dangerous work to pregnant employees at Thai Garment Export (Thailand)
- Nonpayment of \$5 m+ in severance compensation at Hugger and Visiontex (Honduras) and PT Kizone (Indonesia)
- Underpayment of \$90 m+ in social insurance contributions at Yue Yuen (China)

NIKE CONTINUED TO FACILITATE ACCESS FOR WRC TO SUPPLIER FACTORIES WHEN REQUESTED



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Eagle speed Production (Thailand) (2010)

From: P, Suwiyada [mailto:Suwiyada.P@nike.com]

Sent: Wednesday, January 27, 2010 9:47 AM

To: thai.w@eaglespeed.co.th; punsuk.p@eaglespeed.co.th; ESP (Aroon EaglesMD)

Cc: Ben Hensler; renu@workersrights.org; Bent Gehrt; Curtis, Chris [...]

Subject: RE: Urgent compliance concerns at Eagle Speed Marketing

Dear Khun Thai and ESP team,

Please note that WRC [are] creditable third parties who work with Nike on compliance area so we are strongly encouraging ESP to open the door for this investigation. Thank you for your cooperation, Poo Suwiyada Tuntikul (Poo)

NIKE ALSO FACILITATED JOINT ACCESS FOR WRC WITH OTHER MONITORS

Pinehurst (Honduras) (2010)

- Both WRC and COVERCO investigated factory for violations, including company-controlled union.
- Nike arranges access for both WRC and COVERCO.
- Nike representative Denise Jakubovic personally brings WRC and COVERCO to factory.
- WRC and COVERCO visit factory at same time, but separately develop and publish findings.



ALL OTHER UNIVERSITY LICENSEES HAVE CONSISTENTLY FACILITATED WRC ACCESS TO SUPPLIER FACTORIES



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- Index (Honduras) – Gear for Sports, adidas, Under Armour, Knights Apparel, VF
- Multiwear, Premium and SISA (Haiti) – Russell and Hanesbrands (owns Gear for Sports, Knights Apparel)
- Uni Gears (Bangladesh) – Outerstuff
- Zongtex (Cambodia) – E5
- Maral Overseas – Charles River Apparel
- Alta Gracia (Dominican Republic) – Alta Gracia
- Optimum Fashion (Bangladesh) – VF
- Shahi Exports, NJK Apparel (India) – Columbia

MAJOR PUBLIC INSTITUTIONS HAVE SUPPORTED THE WRC'S ROLE AS AN INDEPENDENT LABOR RIGHTS MONITOR



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- U.S. State Department and U.S. Labor Department
- Ethics Council of the Norwegian Government Pension Fund Global
- State of California Division of Labor Standards Enforcement
- Catholic District Schools, Province of Ontario, Canada
- City of Los Angeles General Services Department
- City of San Francisco Office of Labor Standards Enforcement
- Los Angeles City Attorney's Office
- NUS Services Limited (UK Universities Procurement Agency)

OCTOBER 2015 - WRC SEEKS ACCESS TO NIKE SUPPLIER IN VIETNAM



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Hansae

- Vietnam is second largest overseas supplier of collegiate apparel, many strikes over labor abuses.
- WRC sought access to Nike collegiate supplier in Vietnam, Hansae, site of recent strike by workers.
- Hansae refused; WRC sought Nike's assistance to secure access to Hansae factory.
- Nike refused to provide access, claimed issues at factory have been resolved.
- Cornell U. proposed WRC and FLA visit factory jointly, both WRC and FLA agreed, Nike did not consent.

NIKE COMMUNICATIONS ON WRC FACTORY ACCESS



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Nike Claim: Nike never has provided WRC with access to Nike factories.

Fact: Until October 2015, Nike provided WRC access to Nike factories, when requested by WRC.

Nike Claim: Nike cannot require factories to provide WRC with access.

Fact: Nike *has* required factories to provide WRC access. Nike is the world's largest athletic brand – any claim to lack influence with apparel factories is implausible.

NIKE COMMUNICATIONS ON WRC FACTORY ACCESS



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Nike Claim: The WRC’s role is solely “alerting Nike” to “worker concerns.”

Fact: WRC factory investigations gather and assess evidence concerning violations, reach findings of fact, issue recommendations, and monitor remediation.

Nike Claim: The WRC is not “accredited” or “equipped” to assess Nike supplier factories.

Fact: The WRC does not and would not seek ‘accreditation’ to monitor for Nike or any brand. The WRC conducts monitoring for universities and major public institutions. The WRC has a record of finding violations that Nike’s own monitors missed or failed to remedy.

NIKE COMMUNICATIONS ON WRC FACTORY ACCESS



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Nike Claim: Nike's obligation to universities is limited to monitoring compliance with Nike's code of conduct.

Fact: University licensing agreements require Nike to comply with university codes and provide access to universities' designated monitors.

Nike Claim: Nike auditing of own factories is sufficient for ensuring factories' labor rights compliance.

Fact: Nike's auditing has repeatedly failed to detect and/or correct serious labor rights violations in its collegiate and other supplier factories.

HANSAE VIETNAM CO., LTD.

Vietnam

HANSAE VIETNAM

10,000+ Employees

12 Production
Buildings

Korean-Owned Maker
of Knits & Wovens

Produces University
Logo Goods for Nike

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WRC'S HANSAE INVESTIGATION

- Strike at Hansae in October
- Nike refuses access
- WRC has been interviewing workers off-site for several months
- Findings now possible on some issues, but with limited detail
- Findings not possible on other key issues
- Due to severity of findings, access is now all the more urgent, so WRC can complete investigation, determine the full extent of violations, and develop comprehensive action plan



FINDINGS

- Verbal harassment including yelling, swearing at, and threatening workers
- Degrading restrictions on use of toilets
- Manager forbids yawning
- Denial of sick leave, even when ordered by a doctor
- Forced overtime & fraudulent consent forms
- Firing of pregnant workers
- Numerous incidents of workers fainting due to relentless pressure to meet production quotas & excessive heat inside the factory
- Management domination of factory's labor union

WORKERS COLLAPSING UNCONSCIOUS

- Excessive production targets
- Relentless pressure
- Workers verbally harassed and disciplined, including dismissal, for not meeting targets
- Workers compelled to forego water and toilet breaks
- Temperatures above 98 degrees
- Workers pass out at their machines
- Must go back to work after 30 minutes rest



FORCED OVERTIME

- Overtime must be voluntary by law; it is mandatory for many workers at Hansae
- Management requires all workers to sign “voluntary” consent forms to show monitors



ILLEGAL RECRUITMENT FEES

- Job applicants compelled to pay “fees”/ bribes as high as 4 million Dong (180 USD)
- Male workers in particular report having to pay these bribes to get a job



Pregnancy Discrimination

- Contracts of pregnant workers on short-term employment contracts often not renewed
- Pregnant workers on long-term employment contracts sometimes terminated or compelled to resign



FREEDOM OF ASSOCIATION

- Management dominates the factory's labor union (VGCL)
- Factory's most senior human resources manager serves as the Union President



Failure to Cooperate Honestly with Labor Rights Monitoring

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Possible Violations Where a Determination Cannot be Made Without Factory Access

- Off-the-Clock Work
- Fire Safety Violations
- Denial of Family Leave
- Unsafe Factory Food
- Coerced Resignations
- Physical Abuse

BUILDING 5: WHY THEY WENT ON STRIKE

Nike Says:

Miscommunication over a bonus; quickly resolved

Investigation Shows:

Outrage over raft of abuses: excessive targets, verbal harassment, toilet restrictions, denial of sick leave. Last straw when tyrannical manager steps up harassment, imposes ban on yawning. Workers only ended strike due to fear of dismissal. Another strike in November.



NEXT STEPS



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- **Severity of abuses makes factory access more urgent**
- **Full extent of violations cannot be documented without access to records, managers, and physical plant**
- **Need for top-to-bottom OHS review**
- **Developing comprehensive action plan requires more detailed information**
- **WRC will send preliminary report to universities tomorrow**