



WISCONSIN
UNIVERSITY OF WISCONSIN-MADISON

June 12, 2014

TO: Labor Codes Licensing Compliance Committee
FROM: Chancellor Rebecca Blank *Rebecca Blank*
RE: Recent Recommendation of the Committee

Thank you for your letter of May 21, 2014, recommending that the University of Wisconsin-Madison extend its policy requiring certain licensees to affiliate with the Accord *to include subsidiaries of companies when (i) the parent corporation is sourcing garments in Bangladesh as of January 1, 2013 and/or (ii) the subsidiary in question lacks the autonomy to make sourcing and/or labor code decisions independently from the parent corporation.*

After much consideration I am writing to let you know that I am not going to accept this recommendation for the following reasons. First, this recommendation constitutes a departure from the long-established university practice of entering into licensing agreements directly with subsidiaries. We have always applied any labor code requirements to our licensees only, which are sometimes subsidiaries. In doing so, the university holds a subsidiary directly responsible for compliance with the terms of the licensing agreement which include the Labor Codes of Conduct. As a licensee, the subsidiary has a responsibility to provide a factory disclosure statement. The existing disclosure system provides clear and objective data upon which the university will rely in order to determine whether to require a licensee to affiliate with the Accord. Thus, if a subsidiary lacks the autonomy to make outsourcing decisions and is forced by its parent to source from Bangladesh, the disclosure makes this clear and would require the subsidiary to sign the Accord or we would cancel our licensing agreement.

Second, the law does not typically impute liability of a parent corporation to a subsidiary. In fact, it usually works the other way around - liability for an act done by a subsidiary is imputed to the parent corporation where the parent corporation has a sufficient level of authority to influence decisions of the subsidiary. When a parent company controls standards that are breached by the subsidiary, the parent can in some cases be held liable for the breach. As I understand the committee's argument, it insists on holding subsidiaries liable for the policies and decisions of its parent company. I know of no legal authority which would support such a theory. In fact, terminating a contract with a subsidiary not operating in Bangladesh for failing to sign on to the Accord could subject the university to liability for breach of contract. Such an action is unsupported by the terms of our existing licensing agreements.

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Third, beyond the legal issues, I have concerns about the fairness of requiring a subsidiary/licensee that does not source in Bangladesh to lose their UW license because other units over which they have no business control nor legal responsibility are acting differently. A subsidiary does not control the decisions of a parent company or its other subsidiaries.

Based on these reasons, I have decided not to accept your recommendation. Given that your letter specifically suggests that the university should cut its ties with JanSport I want to comment on that company as well.

I note that JanSport operates a major manufacturing facility in Wisconsin. It decorates 100% of the apparel for the college market in Appleton, Wisconsin, where it has more than 300 employees. It is also a company with a 25-plus year business relationship with UW-Madison. JanSport has not been accused of violating any UW-Madison or CLC Code of Conduct. In the one instance when a factory from which it sourced was investigated by the Workers' Rights Consortium (WRC) (PT Dae Joo Leports, Indonesia, 2003), the WRC commended JanSport for its cooperation and for helping the workers get their proper severance pay when the owner closed the factory. In those 25 years of partnership with the university, there have not been any labor or worker violations attributed to JanSport. As noted in your May 21 letter, the company made considerable efforts to come to the meeting of the LCLCC, to answer questions and to remain transparent regarding their company practices regarding workers.

Finally, JanSport has indicated that while it uses VF's global supply network, it is not required by VF to source from any one particular manufacturer or country. Hence, they have autonomy to make their own sourcing decisions. As you know, JanSport does not source from Bangladesh and has no plans to do so. I conclude that JanSport retains sufficient discretion to decide for itself not to source from Bangladesh.

As you know, I have implemented the initial recommendation from this committee to require our licensees who source from Bangladesh to sign onto the Accord. I believe that this action will lead to greater worker safety by providing structural, fire and electrical inspections of buildings in Bangladesh that are manufacturing goods for licensees. As a result of these inspections, workers will have some assurance that they are working in safe conditions and those conditions should reduce the chances of another Rana Plaza disaster. We will continue to monitor our licensees as they come into compliance with this requirement.

I want to thank the committee for the work it has done this past academic year, particularly the efforts to improve safety conditions for workers in Bangladesh. I look forward to working together with next year's committee to continue the discussion around labor licensing issues.

cc: Cindy VanMatre