



Fact Sheet

April 2008

UNC policies aims to ensure fair labor practices for logoed products

The University of North Carolina at Chapel Hill is committed to improving working conditions in factories producing UNC-licensed goods. UNC has long been a leader in the sales of products bearing its name. Trademark licensing revenue generated \$2.83 million in fiscal 2007 to support need- and merit-based scholarships for UNC students.

UNC is a dues-paying member of two national labor monitoring organizations — the Fair Labor Association (FLA) and the Worker Rights Consortium (WRC). UNC joined both organizations upon the recommendation of the University's Licensing Labor Code Advisory Committee (LLCAC), whose members are students, faculty and administrators. The committee's charge is to advise the chancellor on labor code issues. The committee may recommend sanctions against licensees who do not live up to the terms of the University's Code of Conduct.

FLA is a White House-originated non-profit organization made up of corporations, non-government/human rights organizations and universities. WRC was conceived by a coalition of student and worker-rights organizations. Leaders from both organizations have met with the University's LLCAC on campus in recent years, including this spring.

In 1998, UNC adopted the Collegiate Licensing Co.'s draft workplace standards and put licensees on notice that compliance with those standards would soon be a requirement.

In January 2000, the workplace standards from that code were added to every licensing agreement, along with the University's requirement of full public disclosure of manufacturing sites as part of its fair labor policy concerning contracts with vendors that make products bearing the campus name or logo.

In February 2001, the licensing contract was further modified to require participation in the FLA and its programs for implementing the code and monitoring. UNC, through the LLCAC, continues to address issues such as independent monitoring.

While UNC's primary goal is addressing problems identified in connection with the manufacturing of goods bearing the University's name, significant instances or patterns of non-compliance can lead to the non-renewal or cancellation of a company's license.

In fall 2005, Chancellor James Moeser referred to the LLCAC for its review and recommendation the Designated Suppliers Program, a concept proposed by United Students Against Sweatshops as a system to protect rights of workers' making university

(More)

logo apparel. Key elements of the DSP proposal include requirements for university licensees to source apparel from specific factories determined by universities based on independent verification of compliance with protecting employee rights. The proposal includes provisions for setting prices that licensees pay to supplier factories to cover the cost of meeting labor code standards and specifying the volume of orders for a factory's production schedule. (Details about the proposal are at the WRC Web site.) In two annual reports to the chancellor, the LLCAC made no definitive recommendation about the DSP.

Moeser decided in August 2007 that the University had rejected the proposal. He cited concerns about: 1) the lack of consensus within the LLCAC 2) lingering questions about the DSP's feasibility and concerns about unexpected adverse outcomes that could unfairly affect licensees, and 3) the lack of a critical mass of support for the proposal among the highest-performing trademark licensing programs like Carolina's. (The chancellor's letter and additional information about the LLCAC, the University's licensing code and deliberations about the DSP is posted at the trademark licensing office's Web site, www.licensing.unc.edu/New/General/WelcomeWorkplace.htm.)

In January 2008, WRC member campuses including UNC were informed that the U.S. Department of Justice declined to provide antitrust clearance for the DSP. As a result, the WRC withdrew its request for a business letter of review from the Department of Justice. The WRC has also told member campuses that implementation of the DSP could not occur before 2009 – if the Department of Justice issued a favorable decision under a new U.S. President's administration.

Carolina is currently among 10 other major universities partnering to develop an enhanced monitoring protocol for smaller suppliers of trademark-licensed apparel. The effort, launched in summer 2007, is the FLA's Enhanced Licensee Pilot Program. This pilot involves a diverse group of about 100 licensees producing both apparel and non-apparel products. A report is scheduled next October, and a goal is to incorporate the remaining FLA Category C licensees – those with total annual trademark licensing revenues between \$5 million and \$50 million – into the program in November 2008. (In addition to UNC, participants are Maryland, Michigan, Notre Dame, Ohio State, Penn State, Texas, Princeton, Washington University in St. Louis and UCLA.)

UNC also participates in a University Discussion Group/Task Force, a group of universities aiming to leverage their influence to establish a process for creating a comprehensive, credible and sustainable labor code. Participants have included 18 schools, the Collegiate Licensing Co. (the licensing agent for UNC and many other campuses) and leaders of the WRC and FLA. (Besides UNC, campuses represented have included the universities of Arizona, Colorado, Connecticut, Illinois, Maryland, Michigan, Notre Dame, Southern California, Texas and Washington, as well as Duke, Penn State, Princeton, Purdue, Stanford, Syracuse and UCLA.)

The discussion group is developing a joint WRC-FLA third-party complaint and communication protocol to enhance both organizations' work and communication with one another. A second initiative aims to develop a tool to assess a licensee's capacity for compliance. (This project mirrors the charge set by Chancellor Moeser to UNC's LLCAC last August for this academic year.) The discussion group drafted a key elements document and a licensee questionnaire now pending comments from the WRC and FLA.