



WORKER RIGHTS CONSORTIUM

**Worker Rights Consortium Verification Report
Re Labor Rights Compliance at Altagracia Project Factory
(Dominican Republic)**

Findings

March 5, 2014

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I. Executive Summary

This report assesses labor rights compliance at the Alta Gracia Project facility (henceforth “AP” or “the factory”) in Villa Altagracia, Dominican Republic. The Worker Rights Consortium (WRC) conducts intensive ongoing monitoring at AP regarding compliance with the enhanced labor standards which both the factory and its primary buyer, Knights Apparel, have committed to uphold, including unprecedented commitments regarding a living wage and respect for freedom of association.¹ Under the compliance assessment process developed by the WRC for our work vis-à-vis Alta Gracia Apparel, the WRC issues comprehensive public reports of our monitoring work at the factory on a regular basis. This document is the fourth such report covering the period of September 1, 2012 to September 1, 2013.²

To the WRC’s knowledge, the factory making Alta Gracia products is the first and only export apparel factory in the Global South where workers are paid a genuine living wage and have organized a union without interference by management. Especially in view of the unique nature of this project, it is crucial that the factory fully comply with the labor rights commitments that the factory and Knights Apparel have made. To verify compliance, the WRC has subjected the factory to intensive and ongoing scrutiny, making it, in all likelihood, the most comprehensively monitored collegiate apparel factory in the world. Based on months of careful evidence gathering, analysis, and dialogue with all concerned parties, the WRC concludes that AP continues to be in full compliance with its labor rights obligations, including those required by Dominican law, those set forth in university codes of conduct, and the higher standards agreed upon under the special terms of this project. Factory management and the brand have moved swiftly and effectively to address any problems identified in the monitoring process, which have been minor and few in number. AP has achieved a culture of respect for workers’ rights that represents a model for the apparel industry. In addition, the WRC has seen unintentional errors decrease in comparison with the previous three reporting periods, indicating that AP has been effective not only in correcting errors as they arise, but also in establishing effective oversight systems to prevent errors from recurring.

¹ See, “Labor Standards for the Villa Altagracia Project Factory” at: <http://www.workersrights.org/linkedddocs/Alta%20Gracia%20Labor%20Standards.pdf>.

² The WRC issued the first compliance report regarding Alta Gracia in December 2010. This report can be viewed at: <http://workersrights.org/freports/WRC%20Verification%20Report%20re%20Altagracia%20Factory%2012-23-10.pdf>. The WRC issued its second and third compliance report in December 2011 and January 2013 respectively. These reports can be viewed at: <http://workersrights.org/freports/AG%20Monitoring%20Report%20II%2012-08-2011.pdf> and <http://workersrights.org/freports/WRC%20Verification%20Report%20III%20re%20Altagracia%20Factory%201.31.2013.pdf>. In addition, in July 2010, the WRC issued a public report solely concerning compliance with the living wage standard applicable to the factory. This report can be viewed at: <http://www.workersrights.org/linkedddocs/WRC%20Living%20Wage%20Verification%20Report%20re%20Altagracia%20Project%207-16-10.pdf>.

During this reporting period, the Union of Alta Gracia Project Workers (Sindicato de Trabajadores de Alta Gracia Project, SITRALPRO) signed a collective bargaining agreement with both AP management and Knights Apparel. Both the factory management and primary buyer (Knights Apparel) participated in negotiations, consistent with the standards agreed upon between the union and Knights Apparel prior to opening the factory. This contract memorializes many practices above and beyond the requirements of Dominican law that are already in place at AP, such as annual salary increases, respect for freedom of association, and worker education programs. In addition, the contract establishes new benefits that will be implemented as the factory becomes more profitable. As profits rise, these benefits will include the establishment of a low-interest credit cooperative and a fund to cover school supplies for workers' children.

II. Background

AP is an apparel manufacturing plant in the Villa Altagracia Free Trade Zone, in the town of Villa Altagracia, in the Dominican Republic. AP employs approximately 130 workers who primarily produce university logo T-shirts and hooded sweatshirts. In this reporting period, AP has taken a step towards diversifying its product base by producing gift bags bearing the Starbucks logo for Designpac Gifts LLC. The factory's primary buyer is Knights Apparel, a US-based apparel wholesaler.

Under an agreement between Knights Apparel, the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS) and the WRC, Knights Apparel has committed to ensure that AP not only meets the labor standards of the brand's university licensors, but additional standards on wages and freedom of association that go beyond traditional university and corporate codes of conduct. This initial agreement was signed in January 2009; the factory hired its first machine operators on February 17, 2010. These commitments, which include payment of a living wage calculated by the WRC and unprecedented steps to ensure that workers can freely exercise their right to organize, makes the AP facility, to the WRC's knowledge, unique in the export garment industry in the developing world.

The factory is the exclusive producer of Alta Gracia brand t-shirts and sweatshirts. This new brand of university and college logo apparel is sold at campus bookstores and is marketed with a strong emphasis on the exemplary labor conditions under which the products are manufactured. Pursuant to the agreement referenced above, the WRC permits Knights Apparel to place a hang tag on Alta Gracia garments bearing a statement from the WRC confirming that the goods are sewn at a factory that respects worker rights, including the right to organize and the right to a living wage. Continued permission to affix this tag to the products is dependent upon continued compliance by the factory with the applicable labor standards.

AP management has provided the WRC with unfettered access to the factory, including all relevant factory records. We are aware of no other export apparel factory that has provided this

level of access and transparency to a monitoring organization that operates completely independently of the factory and its customers. This has enabled the WRC to carry out a monitoring program of unprecedented scope and rigor.

III. Monitoring Methodology

In order to verify compliance with the Code, the WRC carries out monitoring in accordance with the following protocol:

- Ongoing monitoring of compliance with the living wage requirement, through regular review of factory payroll records and worker pay slips, and in-depth worker interviews to ensure that factory records match actual payments to workers.
- Ongoing monitoring of compliance with all other code standards through:
 - Interviews and other communication with union representatives (at least every other week);
 - Interviews and other communication with individual workers, conducted off-site, at locations chosen by workers (at least monthly);
 - Interviews and other communication with factory managers (at least every other week);
 - Regular visits to the facility to review relevant factory records and observe the production process and inspect the work environment, machinery, and safety gear (at least every other week);
 - Real-time troubleshooting, in consultation with all stakeholders (as needed); and
 - Issue-specific assessments, as needed. An issue-specific assessment is a review of a specific labor standard or practice that has been identified as an area of concern through a worker complaint. Workers may submit confidential complaints to the WRC. In the event that a complaint is received, an issue-specific assessment will be carried out in a timely fashion.

The WRC recognizes that the most effective day-to-day monitoring of compliance with labor standards is performed by workers and their representatives, acting through democratic labor organizations. Accordingly, the WRC communicates regularly about all labor rights compliance issues with the union representing the AP workers.

The project is also subject to the following conditions with respect to the remediation of instances of non-compliance with the project's standards:

- In the event of a finding of a violation of the program’s standards, whether through ongoing monitoring or an issue-specific assessment, the factory is obligated to act in a timely fashion to correct the violation. Knights Apparel is obligated to ensure that the factory takes such corrective action.
- If and when a violation is identified, the WRC will provide factory management and Knights Apparel with detailed recommendations for remedial action – developed in consultation with workers, their representatives, and other stakeholders – and an associated timeline to complete such actions.

If a violation is not corrected within the timeframe specified, the WRC reserves the right to withdraw its verification of compliance. Under such circumstances, the factory and Knights Apparel shall relinquish the right to place a WRC hang tag on the product, or make any other public reference to the WRC’s verification, until such time as the WRC has confirmed that the violation has been corrected. If a pattern of repeated violations occurs, the WRC can withdraw the right of Knights Apparel to use the WRC hang tag, and to make any other public reference to the WRC verification of compliance, for an extended period of time or permanently, at the WRC’s sole discretion.

IV. Applicable Standards and Findings

The following sections review the factory’s compliance with each labor code standard. The language of each standard is included at the outset of each section.

A. Wages and Benefits

Code Requirements:

The Villa Altagracia Project Factory (“the factory”) shall pay employees, as a floor, wages and benefits which comply with all applicable laws and regulations, and which provide for essential needs and establish a dignified living wage for employees and their families. A living wage is the “take-home” or “net” pay earned by an employee working a country’s legal maximum workweek which, in the case of the Dominican Republic, is 44 hours. A living wage is calculated by dividing the amount of money required to meet the basic needs (housing, energy, nutrition, clothing, healthcare, education, potable water, childcare, transportation, and savings) of an average-sized family of an employee in the garment manufacturing sector of the country by the average number of adult wage earners in an average-sized family of an employee in the garment manufacturing sector of the country.

The Worker Rights Consortium has determined, through a country-specific market basket analysis, that a living wage in the Dominican Republic is 222,042 Dominican pesos per year (“the Living Wage Standard”). To comply with the Living Wage Standard, all employees in the

factory must be paid a gross wage sufficient to yield take-home pay of at least 222,042 Dominican pesos per year. The required gross wage is equal to 18,152.99 Dominican pesos per month or 4,189.15 Dominican pesos per week. In order to be in full compliance with the Living Wage Standard, the factory must:

- a. Pay all employees in the factory at least the Living Wage Standard, regardless of an individual employee's level of production, for a regular workweek, exclusive of any overtime hours. The only bonus that may be considered as payment toward fulfillment of the living wage obligation is the annual mandatory Christmas bonus which all employees in the Dominican Republic receive regardless of production level. All production bonuses, all other non-mandatory bonuses and incentives, and all compensation for overtime hours must be paid in addition to the Living Wage Standard.*
- b. Make no deductions from employees' pay other than those mandated by law.*
- c. Pay employees for any overtime hours at the premium rate required by law, using the Living Wage Standard, or the actual straight time wage, whichever is higher, as the basis for calculating the premium rate.*
- d. Employ all employees on a year-round basis, and compensate them in accordance with the Living Wage Standard, without lay-offs or furloughs, so that the annual wage earned by a given employee – not including non-mandatory bonuses, incentives, and overtime – is consistent with the Living Wage Standard. The only circumstances under which an employee may receive less than the living wage over the course of a year is if the employee, of his or her own volition, takes unpaid leave for some portion of that year. Unpaid leave is time off that is taken voluntarily and that is not required, by law or by contract, to be compensated as paid vacation, paid sick leave, or other paid leave.*
- e. Minimize the use of temporary and part-time employees, so that, in the course of a year, no more than 10% of the hours worked at the factory are worked by individuals who are not full-time, year-round employees. Pay any part-time or temporary employees no less than the Living Wage Standard for all regular hours worked, plus any applicable bonuses, incentives, and overtime pay.*
- f. Ensure that the value of the living wage is not eroded through inflation, by adjusting the Living Wage Standard, in October of each year, to account for the increase in the cost of living over the prior twelve months, if any, as measured by the Dominican Central Bank. If a union is present in the factory, the factory may, at the union's request, modify the schedule for revising the Living Wage Standard to incorporate the revision into the collective bargaining process, provided that employees are made whole for any loss of wages due to delay in the revision of the Living Wage Standard that may result. Wages must be increased to reflect increases in the cost of living, but there will be no reduction in wages in the event of deflation.*

g. Treat the Living Wage Standard, in the context of collective bargaining, as a floor for negotiations, rather than the upper limit of what employees may earn. The factory's management must bargain over wages and benefits with any duly constituted union at the factory, and Knights Apparel, as the primary buyer, must pay a price for the factory's products that make it feasible for factory management to bargain in good faith over wages and benefits.

Findings:

This section describes the results of the WRC's verification of compliance with the Living Wage Standard for this reporting period, September 1, 2012, through September 1, 2013. The separate section on "Freedom of Association and Collective Bargaining," below, provides information on the annual wage increases agreed on as part of the collective bargaining agreement between factory management and the union representing the workers, as well as the WRC's ongoing role in verifying the Living Wage Standard.

The WRC conducted a detailed review of all factory payroll records and logs of working hours for twelve pay periods between September 1, 2012, and September 1, 2013. In addition, the WRC regularly conducted off-site worker interviews and reviewed workers' pay stubs to ensure compliance with the Living Wage Standard. The WRC also conducted issue-specific inquiries into payroll records in response to any potential violations of the Living Wage Standard identified through worker interviews or complaints. The WRC reported any errors to management and closely monitored the provision of arrears to workers.

The WRC found full compliance with all the stipulations of the Living Wage Standard. The few isolated payroll errors identified by the WRC were minor; the WRC deems these errors to be unintentional because the factory overpaid workers as frequently as it underpaid them. In any cases where underpayment was identified, the WRC notified factory managers, who ensured that workers received full arrears in a timely fashion. In addition, the WRC notes that across the four reporting periods to date, the incidence of payroll errors has decreased significantly, which indicates that management has taken the necessary steps not only to correct errors when identified, but also to prevent them from recurring. Most notably, during this pay period the factory reduced the incidence of payroll errors by upgrading their time-clock and payroll system on July 1, 2013; the new system reduces errors because it more accurately tracks workers' absences and the time that they clock in and out.

The factory complied with the inflation adjustment stipulated in the Living Wage Standard to ensure that the living wage was not eroded by inflation. Effective November 15, 2012, the living wage was increased by 2.82 percent to reflect the inflation rate over the past twelve months (October 2011 - October 2012) using the inflation data published by the Dominican Central

Bank.³ The resulting gross living wage salary for the remainder of this reporting period was 4,961.32 Dominican pesos (US\$116.46) per week, or 21,499.05 Dominican pesos (US\$504.67) per month.⁴

This living wage remained significantly above the legal minimum wage for free trade zones. For this reporting period, the minimum wage was 6,320 Dominican pesos (US\$148.36) per month.⁵ After both the living wage and the minimum wages were adjusted, the AP living wage was almost 3.5 times the minimum wage.

Review of payroll documents, pay stubs, and off-site worker interviews demonstrated that the factory consistently applied the 2.82 percent increase. The WRC confirmed that the factory paid all workers no less than the required amount adjusted for inflation throughout the period covered by this report, except in cases where the worker, at his or her own initiative, took unpaid leave that reduced his or her hours below the standard workweek of 44 hours. There were no furloughs during this reporting period.⁶

The factory is also in full compliance with its obligation to pay vacation days, holidays and medical leave at the rate required by the Living Wage Standard. Dominican Law 87-01, which establishes the Dominican social security system, provides a framework for medical leave. Under Dominican law, workers receive compensation from the social security system for medical leave after three days.⁷ Workers who have completed one year of employment are eligible to receive this government compensation if the leave is authorized by a doctor and the necessary documentation is submitted by employers to the social security administration. If the medical leave is related to a work-related injury or illness, it is covered with no minimum employment requirement. The WRC has confirmed through payroll review that AP compensates workers at the Living Wage Standard level for the first three days of medical leave in the cases of any workers who have completed one year of service or who suffered a workplace illness or injury. In addition, the factory submitted the necessary paperwork in order to ensure that workers received social security benefits for medical leave longer than three days. The factory also paid all vacation days and national holidays at the Living Wage Standard.

³ The Dominican Central Bank publishes its Consumer Price Index figures at: <http://www.bancentral.gov.do/estadisticas.asp?a=Precios7>.

⁴ The exchange rate used in this report is US\$1:42.60 Dominican pesos, the rate as of September 1, 2013 (the close of the reporting period).

⁵ The wage increased to this level on January 2, 2012; this represented a seven percent increase.

⁶ As noted in previous reports, AP has in the past provided full pay at the Living Wage Standard during significant production furloughs, in stark contrast with industry norms in the Dominican Republic. This policy ensures stability for the workforce above and beyond the legal protections provided by the Dominican Labor Code.

⁷ See, CNSS, *Reglamento Sobre el Subsidio por Enfermedad Comun* (Regulation Regarding the Subsidy for Common Illnesses) and *Reglamento Sobre Subsidio por Discapacidad Temporal* (Regulation Regarding Subsidy for Temporary Disability) (copies on file with the WRC).

The factory did not make any deductions from workers' pay, except for (1) the 5.91 percent combined deduction mandated by Dominican law⁸ for employee contributions to the national pension and health care systems and (2) voluntary deductions authorized by employees, such as union dues or additional insurance programs initiated by the employee.

AP complied with both Dominican law and the Living Wage Standard in regards to payment of overtime. In reviewing AP's payment of overtime, it is important to note that due to workers' stated preferences, AP does not use the standard work schedule in the Dominican apparel industry, which consists of eight hour workdays Monday through Friday and four hour workdays on Saturdays. The AP work schedule consists of nine and half hours per day on Monday through Thursday and six hours on Fridays. Workers requested the non-traditional schedule and AP has adjusted the schedule several times since the factory opened in response to requests from the unions. Workers continue to express appreciation of AP's work schedule, saying that it provides them with time to run errands during common business hours and spend more time with their families.

Dominican law regarding payment of overtime is written based on the traditional Monday through Saturday work schedule, which leads to some gray areas in determining the payment of overtime premiums. AP pays any hours which may be interpreted as meriting overtime premiums in full; thus, their payment of working hours meets or exceeds Dominican law and the Living Wage Standard.

Dominican law establishes several categories of overtime. For overtime hours worked Monday through Thursday, a 35 percent premium is required.⁹ The WRC found that the factory appropriately paid weekday overtime at this rate based on the Living Wage Standard. In addition, a 100 percent premium is required under the law for all hours worked during the workers' rest period. The Labor Code defines the rest period assuming the standard six-day work schedule as beginning after noon on Saturday and continuing through Sunday unless the schedule is otherwise defined.¹⁰ Because of AP's non-standard five-day schedule, AP pays this 100 percent premium for all hours worked after the end of the 44-hour workweek on Fridays at 1:00 p.m. and all hours worked on Saturdays and Sundays. The WRC confirmed that the 100 percent premium was paid for all overtime hours in this category. Lastly, for any hours worked in the evening past 9 p.m., an additional 15 percent premium is required by law.¹¹ This was also paid.

As noted above, the WRC did find some isolated and infrequent errors in the calculation and payment of working hours. These errors were extremely rare and generally very minor, such as rounding miscalculations affecting less than an hour of pay. Such errors have dramatically

⁸ See, Article 201 of the Dominican Labor Code and Law 87-01, which can be viewed at: <http://www.dgii.gov.do/legislacion/LeyesTributarias/Documents/Ley87-01.pdf>.

⁹ See, Article 203 of the Dominican Labor Code.

¹⁰ See, Articles 163-164 of the Dominican Labor Code.

¹¹ See, Article 204 of the Dominican Labor Code.

decreased over the course of the four reporting periods and management has improved their payroll systems and oversight in order to prevent such errors from recurring. In the few cases where the errors constituted underpayment as opposed to overpayment, the WRC confirmed that the factory provided workers with full arrears.

In sum, based on rigorous monitoring, the WRC found that AP has met or exceeded its commitment to fulfill the Living Wage Standard.

B. Working Hours and Overtime

Code Requirements:

Working Hours: Employees shall not be required to work more than 44 hours per week and are entitled to no less than 36 consecutive hours of rest, at least once per week.

Overtime Compensation: All overtime hours must be worked voluntarily by employees. In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours as follows: 1) For hours in excess of 44 hours and up to 68 hours in a single week, at a rate 35% above of the normal wage; 2) For hours in excess of 68 hours in a given week, at a rate 100% above the normal wage; 3) For hours worked on holidays, at a rate 100% above the normal wage.

Findings:

The factory is in full compliance with the standards on working hours and overtime.

The work schedule continues to be 7:00 a.m. to 5:30 p.m. Monday through Thursday, and 7 a.m. to 1 p.m. on Fridays, as reported previously. This includes a paid break from 9:00 a.m. to 9:25 a.m. This break was extended in 2010 in response to a request from the union that the break be lengthened to allow workers enough time to eat a meal or snack if they chose to do so. The lunch break remains the same: Monday through Thursday from noon to 1:00 p.m. The number of weekly hours worked totals 44, which is the statutory work week in the Dominican Republic. As noted above, AP management originally set the factory's work schedule in accordance with the workers' preference and since then has adjusted the schedule twice at the request of worker representatives.

The WRC commends the factory for its ongoing efforts to maintain an open dialogue with worker representatives and accommodate requests regarding the work schedule; this is a radical departure from industry norms.

The WRC confirmed through off-site worker interviews that all overtime hours were strictly voluntary. In addition, as discussed in the living wage section above, the factory paid all overtime premiums, either meeting or exceeding the overtime premiums required by law and at the Living Wage Standard.

AP continued to implement proactive measures to ensure that workers did not work during their break periods, which is a common practice in the apparel industry in the Dominican Republic. In the previous reporting period, the WRC reported that AP explicitly instructed workers to take their full one-hour lunch break and shut off the electricity inside the factory during break times to ensure that no workers perform unpaid overtime. These measures continued to be effective during this reporting period as observed directly by the WRC and confirmed through worker interviews.

During this reporting period, the WRC also recommended that the management take similar steps to prevent any potential off-the-clock work before or after the official workday. Payroll records from March 26 to December 7, 2012 indicated that when workers clocked in before the start of the workday or clocked out after the end of the workday, they were not compensated for this time unless they were performing overtime at the factory's request. In response, the WRC conducted an inquiry, and found that while some workers clocked in or out before or after the workday, they only performed work during the scheduled working hours of 7:00 a.m. to 5:30 p.m.; workers spent the time outside these hours waiting for transportation, using the restroom and/or socializing with coworkers. Thus, the WRC found that AP did not violate the law or AP's labor standards. However, the management agreed, as a best practice, to compensate workers for the time which workers arrived early during this period, and to make clear to workers moving forward that no work should be performed prior to 7:00 a.m. or after the end of the official workday at 5:30 p.m., unless workers are officially signed up for paid overtime. AP paid 110 workers a total of 38,809 Dominican pesos (US\$911) as compensation for the time they arrived early between March 26 and December 7, 2012.

Further, AP changed their time clock system on July 1, 2013. Factory management reports that their new time clock system is more accurate. From December 2012 to the present, the WRC has confirmed that AP fully compensated workers for any time worked before or after the official work day.

C. Forced and Child Labor

Code Requirements:

Child Labor: The factory shall not employ any person at an age younger than 16.

Forced Labor: There shall not be any use of prison labor, indentured labor, bonded labor, or other forced labor.

Findings:

The factory is in full compliance with this standard. Worker interviews, union officers' reports and WRC observation found no child labor or forced labor in the factory. During the period of

September 2012 to September 2013, a total of three employees were hired as machine operators and all were confirmed to be above the legal minimum age of employment.

D. Health and Safety

Code Requirements:

Health and Safety: The factory shall provide a safe and healthy working environment to prevent accidents, illnesses, and other injuries to health arising out of, linked to, or occurring in the course of work or as a result of the factory's operations. The factory shall comply with the health and safety laws and regulations of the Dominican Republic.

In addition to WRC monitoring, the factory's practices with respect to worker health and safety have been monitored by two leading occupational health and safety experts, Garrett Brown and Mariano Kramer of the Maquiladora Health and Safety Solidarity Network (MHSSN). At the WRC's recommendation, Knights Apparel and factory management agreed to closely follow MHSSN's guidance on health and safety issues.

Findings:

AP has established an exemplary occupational safety and health program overseen by an active and well-informed worker-management occupational health and safety committee. MHSSN and the Labor Occupational Health Program (LOHP) of the University of California, Berkeley, provided the factory with expert advice on best practices as the factory building was renovated in preparation to establishing AP. MHSSN and LOHP subsequently carried out four in-depth factory evaluations and trainings in February 2010, June 2010, February 2011, and July 2013. Dominican government agencies provided additional technical assistance and training.

The factory has complied with the relevant local labor laws regarding the establishment of a joint worker-management health and safety committee.¹² The committee is composed of six members, comprising one manager, one member of the technical staff, one member of the administrative staff, and three line workers. The committee oversees and administers AP's OHS program and meets on a monthly basis to update their action plans and address new issues. The WRC regularly participates in these meetings as an observer.

During the past three reporting periods, the OHS committee underwent rigorous training and also educated the workforce with regards to workplace and personal health issues, featuring content ranging from fire safety and ergonomics to nutrition and prevention of gender-based violence. The OHS committee continued to pursue training for both themselves and the general workforce during this period through both local agencies and MHSSN expert, Mariano Kramer.

¹² See, Decree Number 522-06, Article 4; Resolution No. 04/2007, Section 6.

On July 26 and 27, 2013, Kramer trained 17 workers and managers at the factory on technical aspects of OHS including: electrical safety, heat illness identification and prevention, machine guarding, fire safety, hazard communication, and effective and self-sustaining OHS program administration. The training included both members of the committee and members of the general workforce to ensure accountability and transparency.

In particular, Kramer trained the committee on how to conduct regular and rigorous OHS inspections and shared best practices in workforce education, accident reporting and mitigating risks that are identified through inspections. As a result of the training and inspection, several health and safety risks were identified (discussed in depth below) and the necessary improvements were made. The training concluded with the committee developing an OHS administration plan including monthly OHS meetings, regular inspections, tracking mechanisms for identified hazards, and methods to identify and remediate new hazards through worker engagement.

In addition to the comprehensive training provided by MHSSN in July 2013, the health and safety committee provides ongoing education and training to the general workforce in topics such as emergency and fire preparedness (with particular focus on how to extinguish various types of fires), injury prevention measures, first aid response, and ergonomics.

This photograph above shows participants shadowing Kramer as he carried out an inspection; the photograph below shows workers carrying out their own OHS inspection based on the protocol developed during the training.

A review of the health and safety improvements which the factory adopted through previous consultations, inspections, and trainings are reviewed in depth in the December 2010, December



2011, and December 2012 Comprehensive Monitoring Reports.¹³ The improvements implemented across the previous reporting periods include:

- Electrical safety protocol and upgrades to the electrical infrastructure.
- Reduction of the ambient temperature of the factory.
- Discontinuation of the use of hazardous solvents.
- Implementation of a regular process to reduce cotton dust exposure.
- Injury prevention through labeling and guarding of heavy machinery and sewing machines.

The WRC has continued to monitor the factory's OHS program, consulting MHSSN on technical issues as they arise. AP has continued to implement best practices, sustaining the improvements identified by MHSSN from previous periods and responding effectively to new issues.

The new health and safety measures that the factory implemented during this reporting period include:

Electrical Safety

- Electrical outlets were labeled with voltage.
- Electrical infrastructure was updated so that wiring that was no longer used was removed to eliminate risk and any open wiring was closed.

The photographs show open wiring that was enclosed after being identified as a potential hazard during the inspection.

- Loose electrical cables on sewing machines were fastened to the underside of the sewing module tables to prevent injury to workers.
- The maintenance department implemented weekly inspections of all sewing machines to identify and replace any cables that emit sparks or smoke.



¹³ Worker Rights Consortium, *supra*, n. 2.

Fall Prevention

- A mobile ramp used for loading for shipping was modified to prevent tripping.
- A handrail was installed on the steps of the main factory entrance.

This photograph shows the handrail.

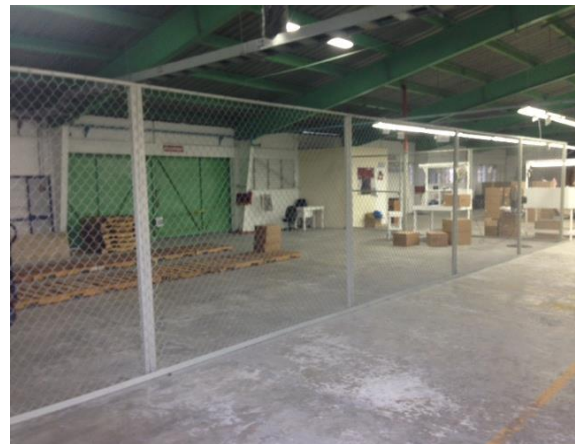


- Wet surfaces that increase the risk of falls were addressed. Leaking water cooler tanks were replaced and a small concrete ramp was constructed by the side entrance of the factory to prevent water from entering the factory during periods of heavy rainfall. The ramp leading to the loading dock was coated with industrial grade anti-slip tape to provide improved traction during periods of heavy rainfall.

Injury Prevention

- A fence was erected to prevent access to the shipping area to prevent injury to workers not adequately trained with the safety procedures for this area.

This photograph shows the recently installed fence cordoning off the shipping area



- Rust was removed from the interior of the factory roof to reduce any risk of material falling.

Emergency Evacuation

- Materials such as uncut fabric were consolidated and removed from the factory floor to keep passageways more open and therefore allow easier exit in the case of an emergency.
- Additional signs were installed outside the factory to label gathering areas to facilitate more organized and rapid emergency evacuation.

Exposure to Chemicals and Hazardous Materials

- A specialized stain removal area was installed with a hood and exhaust fan to prevent chemical exposure to workers using solvents for stain removal.
- A small outdoor picnic shelter was identified as containing asbestos, and though it is not regularly used by workers, AP blocked access and placed a sign warning of the health risk.

General Safety

- A suggestion box was placed in the SITRALPRO union office to allow workers to anonymously share ideas or raise concerns about potential hazards or general factory practices.
- The factory procured and installed additional industrial sized fans to reduce ambient temperature of factory and prevent accumulation of cotton dust;

The WRC continues to monitoring the following safety issues which are still in the process of being fully remediated:

- An unused electrical outlet in the ceiling of the physical plant has exposed wiring and will be removed, although it should be noted that the wires do not contain any live electrical current.
- A small piece of concrete had become loose from the wall just below the ceiling near a storage area in the factory. The maintenance department removed the loose concrete to prevent risk of injury should the piece fall and plans to plug the resulting hole with fresh concrete. Kramer specified that this was not a structural issue; the only risk to workers was injury if the loosened concrete piece fell from the wall. This issue has now been addressed.
- In the entrance to the main outdoor cafeteria, the passageway is impeded by a raised concrete structure and should be removed to reduce the risk of workers tripping while entering the cafeteria. Management is currently seeking permission to remove the structure as the cafeteria is the property of another factory in the Free Trade Zone.
- The abovementioned hood with an exhaust system was installed on top of a small platform, leaving a gap between the stain removal area and the floor which may present a fall risk. The factory committed to install a skirt around the platform to eliminate this gap.

The WRC will continue to monitor these improvements and will ensure that the improvements are made promptly.

The WRC found that the factory not only complies with Dominican law and the applicable health and safety code standard, but also continues to implement industry best practices. The WRC commends the factory's proactive approach to addressing health and safety issues and willingness to seek out training and consultation from outside health and safety experts trusted by workers and labor rights advocates.

E. Non-Discrimination

Code Requirements:

No person shall be subjected to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

Findings:

The WRC has found AP to be in compliance with its obligations not to discriminate in terms of hiring, promotion, and treatment in the workplace. Workers and union representatives report that there is no discrimination on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin. (Compliance with the factory's obligation to not engage in gender discrimination is discussed below in the section concerning women's rights.)

The WRC closely monitored the hiring process of the three employees who were offered employment at AP during the past reporting period and found no evidence of discrimination.

The WRC commends the factory on the transparency measures adopted to ensure that there is no discrimination in the hiring process, specifically, including oversight by the WRC throughout the evaluation, interview, and selection stages. In addition, the management includes a union representative in the hiring process.

F. Harassment and Abuse

Code Requirements:

Every employee shall be treated with dignity and respect. No employee shall be subjected to any physical, sexual, psychological, or verbal harassment or abuse. The factory will not use or tolerate any form of corporal punishment.

Findings:

The WRC's monitoring efforts found no evidence or reports of abuse of any kind including physical, sexual, psychological, or verbal.

As noted in the WRC's first three comprehensive monitoring reports, all managers, supervisors, and trainers are informed of AP's expectation of respectful treatment of all employees during the factory's orientation and labor rights training program. Employees and worker representatives expressed that they had not experienced or witnessed any form of abuse, and further reported that managers and supervisors used a respectful, polite, and appropriate tone with minimal exceptions.

Because management takes rapid and effective action to ensure that managers and supervisors reach the highest standard of respectful treatment of workers, the WRC finds that the factory has complied with the standards regarding harassment and abuse.

G. Freedom of Association and Collective Bargaining

Code Requirements:

The factory shall recognize and respect the rights of employees to freedom of association (FOA) and collective bargaining. No employee shall be subjected to harassment, intimidation, or retaliation in their efforts to freely associate or bargain collectively. The factory shall not cooperate with any effort by governmental agencies or other organizations to use the power of the State to prevent employees from organizing a union of their choice. The factory shall allow union organizers free access to employees.

Consistent with Dominican law, the factory shall recognize the union of the employees' choice as their representative for purposes of collective bargaining. In addition, the factory must maintain an open attitude toward the unionization of the factory and its employees' participation in union activities and a positive approach towards dealing with any union that employees choose voluntarily to form or join. The factory must communicate clearly to employees that its management will negotiate in good faith with any duly constituted union. If a union is not present in the factory, management must enter into a neutrality and access agreement if a union or union federation so requests. If a union is present in the factory, the factory must provide free access to the union's representatives to carry out their representational functions, without undue restriction.

If a union is present in the factory, Knights Apparel, as the primary buyer, must participate in the collective bargaining process along with factory management.

Findings:

The WRC has found AP to be in full compliance with the Freedom of Association (FOA) Standard. During this reporting period, AP and SITRALPRO signed a collective bargaining agreement (CBA) with exemplary wages and benefits. The WRC commends Knights Apparel for participating directly in negotiations, a best practice in the apparel industry.

Prior to opening the factory, Knights Apparel signed an agreement regarding FOA with the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS). FEDOTRAZONAS reports that Knights has complied fully with this agreement. As documented in the previous three reporting periods, both union representatives and workers confirmed that since the factory's inception, the management has respected workers' associational rights and successfully created an atmosphere where workers have felt free to decide whether or not to join the factory's union. AP should serve as a model in this regard for other factories.

The Union of Alta Gracia Project Workers (Sindicato de Trabajadores de Alta Gracia Project, SITRALPRO) was officially registered with the Secretary of Labor in June 2010 and currently represents a majority of AP workers. Management meets regularly with union representatives, including weekly meetings to discuss production issues and biweekly meetings to discuss any other issues raised by either party. The union has established an office within the factory and reports that they are able to carry out their representational functions without interference from management. The two parties have established a strong working relationship and the union plays a central role in the day-to-day operation of the factory. This includes participation in production meetings, hiring decisions, the health and safety committee, planning and implementation of the factory's educational programs, and disciplinary procedures.

In particular, the union and management have been effective in collaborating on a worker education program offered both during and after working hours. This has included a number of workshops related to health and safety, as discussed above. Additional workshops offered during this monitoring period include: teamwork, English language skills, conflict resolution, Microsoft Excel, and financial planning.

In addition, the factory cooperates fully with the agreed-upon provisions regarding union dues. For union members who authorize the deductions of union dues, the appropriate sum is withheld from workers' paychecks and paid to the union in a timely manner.

Both Knights Apparel and the local management fulfilled the FOA standards by participating directly in good faith negotiation with the SITRALPRO union. The resulting CBA provides a high level of wages and benefits. SITRALPRO submitted an initial proposal to factory management on April 22, 2013. Under Dominican law, any union seeking to negotiate a collective bargaining agreement must represent at least 50% of the workforce; SITRALPRO significantly exceeded this requirement, as it represents the vast majority of workers in the plant. Knights Apparel joined the local factory management for CBA negotiations and committed to pay the factory prices sufficient to support the benefits agreed upon in the contract. The majority of the workforce approved the resulting CBA, and SITRALPRO and Knights Apparel signed the final version of the CBA on July 18, 2013. Knights' participation in the CBA negotiation process was crucial for reaching substantive agreements on compensation and benefits and serves as a model for the industry.

The CBA provides several new programs and benefits:

- A four percent annual salary adjustment, to be implemented each November, so that both workers and AP are shielded from the fluctuations of inflation.¹⁴ This rate is based on the average rate of inflation in the Dominican Republic. Both parties agreed that the WRC will continue to monitor the rate of inflation in order to ensure that these increases ensure that AP workers continue to earn a living wage. If consumer prices rise significantly more or less than four percent per year, the parties will meet again to discuss an appropriate wage adjustment.
- Annual production bonuses for workers in the most productive team in the factory, as well as individual bonuses provided to up to four additional employees. This benefit will be triggered if the factory experiences a profitable year and the top-producing module must reach at least 90 percent of its production quotas throughout the year.
- Provision of five computers to be used for a community learning center open to factory employees and their children, as well as members of the general community in Villa Altagracia.

The CBA also details several programs that will be implemented when the financial stability of the factory improves:

- Financial contribution to a worker-owned credit cooperative to allow workers access to financing for home and other loans.
- School supplies for workers' children.
- A basket of goods for employees with newborn children, to include diapers, milk and other supplies.

Finally, as noted, the CBA stipulates a variety of benefits and protections which ensure that AP's current best practices are memorialized in an enforceable contractual agreement between the union and the management. For example, the CBA includes the following:

- Freedom from discrimination or retaliation based on gender, age, race, nationality, political affiliation, religion physical condition, and HIV status.
- A joint union-management HIV awareness and prevention campaign.
- Christmas baskets to be provided to all employees at the end of the calendar year.¹⁵

¹⁴ The first increase based on this contract was implemented in November 2013.

¹⁵ This is in addition to the legally required pay bonus workers receive at the close of each year.

- A commitment to fund annual social and cultural activities such as International Workers' Day and Christmas celebrations.
- The right of union representatives to communicate freely and openly with members of the general workforce during working hours.
- Formal establishment of a designated space in the factory to conduct union business and post written bulletins or other communications regarding union events.
- Paid union leave for the purpose of participating in educational activities.
- Partial financial support for workers to participate in international activities organized by educational or non-profit entities.
- Employees receive two days of unpaid leave per year for personal errands such as medical appointments or obligations related to university studies.

AP demonstrated exemplary compliance with the FOA stipulations. The signature of the CBA with exemplary benefits and protections represent a model for the industry.

H. Women's Rights

Code Requirements:

- a. Female employees will receive equal remuneration, including benefits, equal treatment, equal evaluation of the quality of their work, and equal opportunity to fill all positions open to male employees.*
- b. Pregnancy tests will not be a condition of employment, nor will they be demanded of employees.*
- c. Employees who take maternity leave will not face dismissal nor threat of dismissal, loss of seniority or deduction of wages, and will be able to return to their former employment at the same rate of pay and benefits.*
- d. Employees will not be forced or pressured to use contraception.*
- e. Employees will not be exposed to hazards, including glues and solvents that may endanger their safety, including their reproductive health.*
- f. The factory shall provide appropriate services and accommodation to women employees in connection with pregnancy.*

Findings:

The WRC has verified that AP is in full compliance with the code standard on women's rights. As in the last three comprehensive monitoring reports, the WRC found that women had the same opportunities as their male counterparts with regard to hiring, promotion, pay, and benefits.

Women continue to make up two-thirds of the workforce. With the exception of the cutting department (one of the two smallest departments in the factory, with only four employees in total), women work in every department in the factory including packing, sewing, inspection, maintenance, and administration. The hiring protocol, which is closely monitored by the WRC, continues to ensure non-discrimination toward women and pregnant applicants. None of the applicants were asked about their reproductive status or required to take a pregnancy test.

In addition, the factory fully respected pregnant workers' rights, including providing appropriate accommodations and twelve weeks of paid maternity leave at the living wage pay rate. Workers returning from maternity leave were able to return to their former positions, with the same salary and benefits. Over the course of this monitoring period, six workers took paid maternity leave and the factory complied with the standard in all six cases.

As noted earlier in this report, due to its potential effects on reproductive health, the factory discontinued the regular use of solvents and continues to utilize household detergents prior to this reporting period. During this reporting period, as described in the section on Health and Safety, the factory made significant improvements to the area where solvents are used on the rare occasions that require them. Since these renovations, all work with any solvents is performed in a protected area enclosed with Plexiglas which has an exhaust fan to limit the exposure as much as possible. In addition, any worker who uses solvents is provided with safety goggles and gloves when performing this work to prevent any dermal and eye exposure. With application of these safety measures, the relevant solvents can be used without negative health effects.

The WRC reviewed AP's policy and practice regarding the Dominican Labor Code's requirement that women workers with infants be provided three twenty-minute breaks during the workday in order to breastfeed their infant.¹⁶ As reported in the 2012 WRC assessment, the WRC documented previous noncompliance with this law. To remedy this violation, management paid arrears to the employees who had not taken these breaks and reached an arrangement which was preferable to the workers, in which workers could combine the break time stipulated by the Labor Code in order to leave the factory one hour early.¹⁷ Through interviews with workers and consultation with union representatives, the WRC has confirmed that the factory provides

¹⁶ See, Dominican Labor Code Article 240.

¹⁷ The WRC first reported on this issue in a report released January 31, 2013. See full report at <http://www.workersrights.org/freports/WRC%20Verification%20Report%20III%20re%20Altagracia%20Factory%201.31.2013.pdf>.

mothers with post-natal paid breaks of one hour per day for one year after giving birth. Those benefits apply regardless of whether or not the worker chooses to breastfeed her infant.

The factory is in full compliance with its commitments regarding women's rights.

V. Conclusion

In light of the findings discussed above, the WRC concludes that AP continues to be in full compliance with Dominican law, university codes of conduct, and the project's labor rights commitments.

In addition to continuing its unparalleled commitments to a living wage and to occupational health and safety, AP has taken a major step forward in labor relations this year. The union and management worked together collaboratively and in good faith to negotiate and implement a CBA that memorializes the best practices implemented to date and introduces additional new benefits. Factory management and the union have continued to significantly outstrip the rest of the industry in ensuring ongoing compliance in areas where violations are endemic in the apparel industry, including: ensuring that overtime is always voluntary, providing appropriate accommodation for pregnant workers and workers returning from maternity leave, and ensuring that managers treat workers with respect and dignity in the workplace.