



WORKER RIGHTS CONSORTIUM

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

Findings

December 23, 2010

I. Executive Summary

The Worker Rights Consortium (WRC) is conducting ongoing monitoring of compliance by the Altagracia Project factory with the enhanced labor standards to which the factory and its buyer, Knights Apparel, have agreed to adhere.¹ Under the compliance assessment process developed by the WRC for our work vis-à-vis Alta Gracia Apparel, comprehensive public reports of our monitoring work at the factory will be issued semi-annually. This document is the first such report.²

As detailed in the following pages, the WRC concludes, based on months of careful evidence gathering, analysis and dialogue with all concerned parties, that the Altagracia Project factory is in full compliance with its labor rights obligations.

The Alta Gracia brand represents a crucial step forward for the university logo apparel sector specifically, and the garment industry more generally. To the WRC's knowledge, the factory making Alta Gracia products is the first export apparel factory in the Global South where workers are paid a living wage *and* have organized a union without interference by management. Because of the ground-breaking nature of the project, and because of the representations the Alta Gracia brand is making to consumers about the wages and conditions of the workers who sew its clothing, it is vital that the factory fully comply with the labor rights commitments that it, and the brand, have made. In order to verify compliance with these labor standards, the WRC has subjected the factory to intensive and ongoing scrutiny, making it, in all likelihood, the most comprehensively monitored collegiate apparel factory anywhere in the world.

We are very pleased to be able to report that the factory has fulfilled its labor rights obligations – achieving an exemplary level of compliance, not just with applicable minimum labor standards, but with industry best practice; moving swiftly and effectively to address any problems identified in the monitoring process, which have been few; and achieving a culture of respect for worker rights that represents a model for the broader apparel industry.

II. Background

The Altagracia Project factory (henceforth “AP” or “the factory”) 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 produce university logo t-shirts and hooded sweatshirts. The factory's sole buyer is Knights Apparel, a US-based apparel wholesaler.

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

² 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>.

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 commitment, which includes payment of a living wage and unprecedented steps to ensure that workers can freely exercise their right to organize, makes the Alta Gracia 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.³ 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 the following monitoring program at AP:

- 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 workers choose (at least monthly)
 - Interviews and other communication with factory managers (at least every other week)

³ The WRC accepts no money or other support from Knights Apparel or the factory.

- Regular visits to the facility to review relevant factory records, 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)
- 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 factory's union.

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.

The present report is based on monitoring conducted in accordance with the methods outlined above, from mid-April of 2010 through the end of October 2010.

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:

The factory is in full compliance with the living wage requirement. The WRC issued a public report regarding living wage compliance on July 16, 2010, which presented findings based on a comprehensive review of payroll records and worker pay stubs from five separate weekly pay periods and worker interviews. The report found that in all pay periods reviewed:

- The factory complied with the Living Wage Standard by paying all workers who worked the standard workweek of 44 hours no less than a gross wage of 4,189 RD Pesos.

- The factory paid all overtime hours at the required 35% premium (above the Living Wage Standard) for evening hours and the required 100% premium for weekend or holiday hours. It should be noted that with respect to overtime voluntarily worked by some workers on Saturdays, the factory paid an overtime premium above that required by law and by the Living Wage Standard.
- The factory paid no worker less than 4,189 RD Pesos, except in cases where the worker, at his or her own initiative, took voluntary, unpaid leave that reduced his or her hours below the standard workweek of 44 hours.
- The factory did not take any deductions from workers' pay except for the 5.91% combined deduction, mandated by Dominican law, for employee contributions to the national pension and health care systems, with the exception of two minor errors occurring during one payroll period examined. These errors were as follows: For several workers who worked less than 44 hours due to employee-initiated leave, the factory calculated payroll deductions based on full-time gross pay, rather than the pay corresponding to the reduced hours worked. This resulted in an excess deduction of 25.5 RD Pesos (71 cents, US) per worker for that week. The other minor error affected one worker for one pay period whose payroll deductions were made in the amount appropriate for an independent service provider, rather than a regular employee. The WRC determined that these errors were unintentional and, upon being notified by the WRC, management corrected the errors without delay, reimbursing the workers involved and adjusting each worker's account balance with the national social security administration.
- Consistent with the requirement of the Living Wage Standard that workers be paid the living wage on a full-time, year-round basis, the factory provided paid leave to workers for work holidays that, under Dominican law, are normally treated as unpaid leave by employers.
- The factory provided workers all legally mandated benefits.

Subsequent to the issuing of the first report, the WRC reviewed the factory's payroll for eight different pay periods between July and October 2010: July 5th and 19th, August 9th and 16th, September 6th and 13th, and October 4th and 18th. The WRC compared payroll records to recorded hours worked, worker paystubs and actual earnings as reported in off-site worker interviews. As in the pay periods previously reviewed, the WRC determined that AP complied fully with its obligations under the Living Wage Standard.

The sole problem identified by the WRC in the course of monitoring compliance with the Living Wage Standard was the delayed reporting and payment of some overtime hours to a small number of workers. As described in the following section, the WRC determined that this error was inadvertent and it was promptly corrected by factory management.

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.

AP employees' regular work schedule is from 7:00am-5:30pm, Monday through Thursday, and 7:00am-1:00pm on Fridays. Every day there is a paid break from 9:00-9:15. Monday through Thursday there is an hour long lunch break from 12:00-1:00 and a 10-minute afternoon break, which most employees take at the end of the day, leaving at 5:20 instead of 5:30. The total weekly hours worked are forty-four – the statutory workweek in the Dominican Republic.

Alta Gracia management actively sought out workers' opinions in setting the factory's work schedule and responded to the request of worker representatives to adjust the schedule, which departs from the normal work schedule in the country. Standard work schedules in the Dominican Republic call for eight-hour days (plus lunch and breaks) Monday through Friday and a half day on Saturday. Workers expressed a strong preference to have Saturday off and to be able to leave by lunch time on Friday, and proposed to make up the lost hours by working longer work days Monday through Thursday. Management accepted this proposal and accepted subsequent proposals to shift the distribution of break times, which was memorialized in a written agreement between the employees and management, copies of which were submitted to the Dominican labor ministry.

Workers and union officers reported that all overtime hours were strictly voluntary and compensated at the required rate of 35% for weekday overtime hours (up to 68 hours per week) and at 100% for any hours worked after Friday at 1:00pm or on Saturday, Sunday or national holidays – with the exceptions noted below. The WRC's payroll review confirmed the reports of workers and their representatives.

The WRC did identify errors in the timely reporting and payment of some overtime hours for a small number of workers. We determined that the errors resulted from the manual system of reporting employee hours which was used by the factory

during the initial months of operations. Factory management acted quickly to correct the problem and ensure that all workers received the pay they were due.

Overtime hours were correctly reported and paid on time to all workers over the course of the WRC's monitoring, with the following exceptions: On Friday, July 23, eighteen workers were not paid for a portion of the overtime they had worked. The WRC identified the error the following Monday and, on the next payday (July 30), workers were paid the arrears. During the month of August, there were several isolated cases of a similar nature involving between one and three workers. The problem in all cases was quickly corrected. Since August, the WRC has detected no further errors in the payment of overtime compensation.

The WRC's payroll review also found a problem with the reporting of overtime hours and the payment of compensation for two maintenance employees, whose shifts began twenty-five minutes before those of the rest of the workforce. These additional minutes should have been paid at the overtime rate, but were not reported correctly in the payroll. Upon being notified of the error, management immediately paid the two workers the arrears and no further errors were identified with respect to their pay.

Management has now installed an electronic time-clock system to document employee hours, which should prevent the minor errors reviewed above from being repeated.

Given that all overtime hours worked at the factory were voluntary; that with the exception of the errors noted above, management consistently paid workers properly for all overtime hours worked; that the problems identified were swiftly and fully corrected; and that management has put in place mechanisms to prevent their recurrence, the WRC concludes that the factory fully complies with the standard governing hours of work and overtime. The WRC also notes, with approval, management's decision to revise the work schedule, in response to requests from worker representatives, to accommodate workers' desire to have Friday afternoon, Saturday and Sunday to spend with their families.

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. WRC's monitoring of the hiring process found that the factory effectively ensured all applicants

were above the legal minimum age of employment. The WRC observed that one underage job applicant was identified and that this worker's application was rejected.

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:

The factory has demonstrated exemplary compliance with applicable health and safety standards. The factory is not only in full compliance with the safety laws and regulations of the Dominican Republic, but has worked to implement industry best practices, above and beyond the legal minimum requirements, to prevent workplace accidents and illnesses. To the WRC's knowledge, AP is the only factory in the export apparel industry that has accepted and implemented, from the facility's inception, the expert guidance of a respected, independent health and safety organization such as MHSSN.

MHSSN is a network of 400 occupational health and safety professionals who donate their time to provide workers and managers with information, technical assistance, and on-site instruction regarding workplace hazards. MHSSN's innovative, worker-centered approach to occupational health and safety has made it a leader in the field. The MHSSN consultation, education and inspection team for AP included Garrett Brown, a current California Division of Occupational Safety and Health (Cal/OSHA) inspector and the coordinator of the network; Mariano Kramer who served for twenty years as an inspector for Cal/OSHA, where he held the title of Senior Safety Engineer and coordinated the agency's inspections of garment factories in Los Angeles; and Valeria Velasquez, a health educator from the University of California-Berkeley's Labor Occupational Health Program. The project's health and safety collaboration with MHSSN included consultation during the factory's renovation and setup, two extended factory site visits by the MHSSN experts, occupational health and safety trainings for management and workers, and ongoing consultation.

The factory's management consulted with MHSSN throughout the setup process concerning ergonomics, lighting, factory layout, chemical exposure, ventilation and a range of other critical issues. An example of the factory's commitment to follow

MHSSN's guidance, even at significant cost, was its decision to accept MHSSN's recommendations concerning seating for workers. MHSSN advised the factory to procure chairs for sewing machine operators that are adjustable by height, provide lumbar support, include padded seats and a backrest, and incorporate a swiveling base, of five legs. Chairs that fit these specifications are far more comfortable for workers than the chairs or benches typically used in apparel sewing factories, and greatly reduce the risk of musculoskeletal disorders, which are common among sewing machine operators. The factory has supplied all sewing operators with chairs that meet these specifications.

In addition, MHSSN provided input on the physical design of workstations, to prevent unnecessary strains from repetitive twisting, bending and lifting – other key causes of workplace injuries. MHSSN also provided suggestions for sufficient lighting, ventilation, management of ambient air temperature, flooring to avoid slips and falls, personal protective equipment, and protection from harmful noise levels.

Moreover, MHSSN worked with local health and safety engineers to ensure compliance with Dominican health and safety standards for emergency exits, alarms and lighting, fire extinguishers, bathroom facilities, airflow and ventilation, chemical exposure, provision of the relevant Material Safety Data Sheets and Personal Protective Equipment to employees, and safeguards for electrical panels.

MHSSN experts also conducted an in-person preliminary site visit in February 2010, as the factory was preparing to open, and were able to identify several potential health and safety risks and suggest steps to address them.

The factory followed MHSSN's guidance and made the adjustments recommended after the February site visit, including:

- Improvements in electrical wiring and insulation
- Improved guarding of access/egress areas with breaks in elevation, to prevent falls
- Improvements in signage on circuit breakers

MHSSN experts returned to conduct a second site visit in June 2010, after the factory had become fully operational. Based on this visit, MHSSN reported that the following aspects of the plant's operations comply with Dominican law and/or good OHS practice:

- Lighting levels comply with Dominican law (Resolución No. 04/2007, Section 1.10);
- Noise levels comply with Dominican law (Resolución No. 04/2007, Section 3.1);
- Potable drinking water was available in close proximity to work areas (Resolución No. 04/2007, Section 1.16);
- Toilets for men and women were available in compliance with Dominican law (Resolución No. 04/2007, Section 1.19);

- Portable fire extinguishers and emergency exits were available in compliance with Dominican law (Resolución No. 04/2007, Section 1.39-1.41);
- First aid kits were available in compliance with Dominican law (Resolución No. 04/2007, Section 1.20);
- Anti-fatigue mats were available for workers in the inspection and packing departments whose assigned work required standing in a fixed position for extended periods of time.

On its second site visit, MHSSN also identified several health and safety risks, and subsequently made recommendations for improvements, both long and short-term. Management has implemented all of the short-term recommendations and has committed to implement the longer-term recommendations. The WRC has verified that management made improvements in the following areas, in accordance with MHSSN's recommendations:

- Improvement of electrical wiring: Management has replaced insulation where necessary, fixed any open equipment grounds, replaced flexible electrical cords with industrial SO rated cords, covered discontinued circuits, and labeled the current and voltage of electrical panels.
- Machine guarding and securing: Management has guarded several fans and sewing machine pulleys which could potentially cause accidents if clothing or hair comes in contact with the unguarded areas; and secured a drill press to the ground to prevent accidents related to tipping.
- Preventing falls: Management has installed stairs at an elevation break to the generator building and covered an open drain to prevent falls.
- Bloodborne pathogens: Management has instituted a sterilization and labeling system for tagging guns in order to prevent any exposure to bloodborne pathogens.
- Chemical exposure: Management has switched from solvents with health risks to non-toxic detergent for all stain removal to minimize any potential chemical exposure.
- Accident prevention: Management has instituted a "lock-out-tag-out" procedure which cuts off and locks the electrical connection to machines while they are undergoing maintenance, in order to prevent accidents.

MHSSN's long-term recommendations, on which the factory has committed to act, include:

- Airborne fibers: Instituting a system for cleaning and collecting cloth fibers with vacuum cleaners in order to reduce employee exposure to airborne fibers.
- Ambient temperature: Exploring options such as a drip system on the roof to reduce the ambient temperature when needed, and carry out ongoing employee education and health programs to prevent heat illness.

Another important aspect of MHSSN's work concerns the role of workers in ensuring effective health and safety policy and practice in the factory.

Under Dominican law, Alta Gracia is required to establish a joint labor-management health and safety committee in the factory. In February 2010, MHSSN suggested that the plant go beyond the usual practice in the Dominican Republic of establishing a nominal committee with limited activities. MHSSN urged plant management to provide the training and support needed for all members of the committee to have the information and authority to conduct plant inspections, accident investigations, and training of workers. The factory agreed.

During their June 2010 visit, the MHSSN experts conducted training for the 30 members of the joint labor-management health and safety committee. These trainings – which are not commonly conducted in factories in free trade zones in the Dominican Republic – lay the basis for further ongoing training of health and safety committee members and an active, effective on-site committee.

During the June visit, MHSSN experts also conducted an all-day training in Santo Domingo for labor union representatives, including the union members of the Alta Gracia health and safety committee, on recognition, evaluation and control of workplace hazards.

The factory complies with Dominican law and the applicable health and safety code standard and is continuing to implement the best practices suggested by MHSSN. The factory's approach to these issues, and its willingness to defer to the judgment of outside health and safety experts trusted by workers and labor rights advocates, merits particular approbation.

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 factory is in compliance with the non-discrimination code requirements. There have been no reports of discrimination in any worker interviews. In particular, the factory went to extraordinary lengths in the initial hiring process to ensure that no form of discrimination or favoritism has any impact on the selection of applicants. (Compliance with the factory's obligation not to engage in gender discrimination is discussed below in the section concerning the standard on women's rights.)

F. Harassment or 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:

Workers and union officials reported that the factory complied fully with the stipulations on dignified and respectful treatment of employees. Workers reported that supervisors and managers used a respectful tone and refrained from all forms of abuse including physical, sexual, psychological and verbal abuse. The WRC observed that all managers, supervisors and trainers were informed in the factory's orientation and labor rights training program of its expectation of respectful treatment of all employees, and that all workers were informed of their rights and the mechanisms for reporting any violations, including union representation, an anonymous suggestion box managed by a local non-governmental organization, and confidential communication with the WRC.

Through worker testimony, the WRC identified one supervisor whose behavior toward workers, on several occasions, was questionable, though not in violation of the Code. Workers affected by this behavior and other witnesses reported that the supervisor used an inappropriate tone of voice in disagreements over production issues, thus raising tensions unnecessarily. The supervisor in question received a verbal warning from upper management. Several weeks later, the supervisor chose to resign from the factory.

All employees and managers received, as part of their orientation, sexual harassment prevention training. All employees were given several mechanisms to report any sexual harassment including the mechanisms listed above.

Considering the prevalence in the global apparel industry of harsh and abusive treatment of workers by supervisors, the AP's success in building and maintaining a respectful work environment free of such behavior is an especially notable accomplishment.

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:

Compliance with this standard by AP has been exemplary and should serve as a model for other factories.

Knights Apparel entered into a neutrality and access agreement, vis-à-vis the factory, with the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS) and required AP management to respect this agreement. FEDOTRAZONAS reports that the management complied fully with the terms of the agreement.

Based on worker interviews, consultations with union leaders, and direct observation, the WRC found that management expressed clearly and consistently to the workforce an open and positive attitude toward union formation and collective bargaining. Prior to opening the factory, the management contracted a respected labor rights organization, the Dominican Labor Foundation (FLD), to provide all new employees, including management, with an orientation on the vision and goals of the factory, including full respect for freedom of association as a central principle. The 90 minute orientation sessions were held in multiple small groups. In addition, all new employees and managers received a second training session focused on worker rights. All trainings were held during work hours, with no loss of wages for workers, and provided in-depth information on the rights delineated in the Dominican labor code and the project code of conduct, regarding freedom of association and collective bargaining. Both the orientation sessions and labor rights trainings were co-facilitated by representatives of FEDOTRAZONAS and FLD, and observed by the WRC.

The WRC found that through these and other measures, management successfully created an atmosphere within the factory where workers felt free to unionize without fear of management retaliation – a first, in our experience, in any export apparel factory in the Global South that supplies a US brand or retailer.

During the spring of 2010, employees formed a *comité gestor* (“representative committee”), a provisional union body which, under Dominican law, is the first step in establishing a legally registered union. Subsequently, the Union of Alta Gracia Workers (SITRALPRO) was established through an assembly of its members in June 2010. SITRALPRO’s registration as a union was subsequently approved by the Secretary of Labor. Workers and union representatives uniformly report that there was no interference, harassment or intimidation of workers who chose to join the union and that management maintained a positive attitude and a practice of noninterference toward this process throughout.

After the formation of the SITRALPRO, management continued to demonstrate respect for workers’ associational rights by commencing regular meetings with the union leadership; discussing and reaching agreement on a range of issues, including production schedules and building improvements; allowing the union to carry out educational programs for workers inside the factory, such as AIDS prevention workshops and immunization programs; and working proactively to accommodate the collection of union dues.

SITRALPRO reports that it currently represents a majority of AP workers and is preparing to submit a contract proposal to management, after which collective bargaining will commence. Union leaders have reported that the management has confirmed its readiness to negotiate a collective agreement in good faith. It should be noted that Knights Apparel has agreed to participate directly in collective bargaining.

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 has complied fully with the code standards on women's rights. This conclusion is based on site visits, overview of the hiring process, payroll review, worker interviews and consultations with union leaders. There has been no gender discrimination in hiring, pay, promotion or the provision of benefits. The rights of pregnant workers, both in the hiring process and in the course of their employment, have been fully protected.

Through direct observation of the hiring process, and review of applications and hiring lists, the WRC was able to verify that both the initial round of hiring, and subsequent hiring, were free of gender discrimination. There also was no pregnancy testing conducted in the course of the hiring process, a problem that persists in some garment factories in the region. Several employees were hired while visibly pregnant, an extreme rarity in the industry.

The WRC has found that female employees received equal remuneration, equal benefits, equal evaluation of the quality of their work, and equal opportunity to fill all open positions. Women make up two thirds of the workforce and are represented in every department in the factory including sewing, pre-packaging, inspection, maintenance, and administration, with the sole exception of the cutting department, the smallest department in the factory.

The WRC has also verified full respect for the protections provided in the law and the code standards for pregnant employees. Pregnant employees reported that they received all mandatory pregnancy-related benefits, including paid leave before and after giving birth. WRC's payroll review confirmed AP's provision of paid maternal leave.

Partly in recognition of the needs and rights of pregnant employees, the factory discontinued, due to its potential effects on reproductive health, the use of a solvent commonly used in the apparel industry. While use of such solvents can be rendered safe through protective gear and appropriate ventilation, the factory decided to completely dispense with the use of solvents, in order to eliminate any chance of workers being exposed to human reproductive system toxins.

V. Conclusion

In light of the findings discussed above, the WRC concludes that AP is in full compliance with its code of conduct commitments and applicable law.