

**WORKER RIGHTS CONSORTIUM
VERIFICATION REPORT
Re Labor Rights Compliance at Altagracia
Project Factory (Dominican Republic)**

FINDINGS

April 20, 2017



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I. Executive Summary

This report assesses labor rights compliance at the Alta Gracia Project Holdings Limited facility (henceforth “Alta Gracia”) in Villa Altagracia, Dominican Republic. The Worker Rights Consortium (WRC) conducts intensive and constant monitoring at the factory to verify compliance with the factory’s enhanced labor standards, including unprecedented commitments related to living wage and respect for freedom of association.¹ In the previous reporting period, the Alta Gracia factory and brand identity were reconstituted as an independent firm after HanesBrands acquired Alta Gracia’s former parent company, Knights Apparel, in April 2015. The current reporting period is the first full year during which Alta Gracia operated as an independent firm.

The WRC issues annual comprehensive public reports of our monitoring work at the factory. This document is the seventh such report and covers the period September 1, 2015 to September 1, 2016.²

Alta Gracia is unique among export apparel factories in the Global South for its payment of a true living wage and for the presence of an independent workers union that represents workers at the factory without interference or retaliation by management. In consideration of the distinctive nature of this project, it is crucial that the factory fully comply with the labor rights commitments that it has made. To verify compliance, the WRC has subjected the factory to intensive and continual scrutiny, making it, in all likelihood, the most comprehensively monitored collegiate apparel factory in the world.

For the current monitoring period, during which time the WRC continually gathered and analyzed evidence and maintained communication with all interested parties, the WRC finds Alta Gracia to be in full compliance with its labor rights obligations, including those required by Dominican law, those set forth in all university codes of conduct, and the superior standards agreed upon under the aforementioned special terms of this project. As in the past, the WRC has found factory management to be responsive to the labor issues and worker concerns that arise, acting quickly and effectively to address most problems identified in the monitoring process, which continue to be limited in number. This report includes findings and remediation with regard to issues that were brought to the WRC’s attention during the term of the monitoring period and includes some additional recommendations for minor health and safety issues.

¹ To read more, see “Labor Standards and Verification” for the Villa Altagracia Project Factory available on the WRC website:

<http://www.workersrights.org/verification/Labor%20Standards%20and%20Monitoring.asp>.

² The WRC has, since December 2010, issued annual compliance reports regarding the Alta Gracia Project, which can be viewed at <http://workersrights.org/verification/index.asp>. 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>.

Alta Gracia continues to be a model of respect for worker rights in the apparel industry, noteworthy specifically in its treatment of freedom of association. The plant-level union that represents workers at the factory, known as the Union of Alta Gracia Project Workers (SITRALPRO), affiliated with the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS), signed a second collective bargaining agreement with factory management in August 2016.

This second contract is particularly noteworthy because it provides for the establishment of a savings and loan cooperative for workers. As per the terms of the most recently-signed bargaining agreement, factory management will make a financial contribution to the savings and credit cooperative in order to make it operational. Establishment of a savings and credit cooperative has been a long-standing goal of the union given that workers at Alta Gracia, like other Dominican garment workers, have traditionally depended on unconventional loans provided by local informal lenders in order to finance home improvement projects and other expenses. The interest rate for these loans can be as high as 20% per month. These high rates quickly lead to debt traps in which workers can barely afford to pay the weekly interest payments, and make months or years of payments without paying down the principal. Both the union and factory management have long sought an alternative to this source of financing as this predatory lending can significantly undermine the positive effects of the living wage.

II. Background

Alta Gracia is an apparel manufacturing plant in the Villa Altagracia Free Trade Zone that produces university logo apparel, including long and short-sleeve t-shirts and hooded sweatshirts. The factory is located in the town of Villa Altagracia in the San Cristobal province of the Dominican Republic and, at the date of publication, employs 124 workers.

At the time of its inception, Alta Gracia committed to meet the labor standards of the brand's university licensors and to comply with additional standards on wages and freedom of association that go beyond traditional university and corporate codes of conduct. The initial agreement committing to these standards was signed in 2009 by Alta Gracia's former owner, Knights Apparel, the Fedotrazonas union federation, and the WRC. Commitments contained within the terms of the agreement include the payment of a living wage, calculated by the WRC, and unprecedented steps to ensure that workers can freely exercise their right to organize. To the WRC's knowledge, Alta Gracia is the only factory in the international export garment industry that has agreed to and fulfilled these commitments.

As in the previous reporting period, Alta Gracia Project Holdings Limited, registered in the United States as Alta Gracia Holdco, has continued to honor the language of the agreement signed by its former owner, Knights Apparel, at the time the factory was founded.

The factory is the exclusive producer of Alta Gracia brand t-shirts and sweatshirts. This 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. In keeping with the monitoring agreement referenced above, the WRC permits the factory to place a hangtag on Alta Gracia garments. The hangtag bears 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. Permission to affix the hangtag to the products is conditional upon the factory's continued compliance with the applicable labor standards.

Alta Gracia management continues to provide the WRC with unfettered access to the factory, including all relevant factory records. The WRC is 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. During the current monitoring period, the WRC continued to monitor compliance with labor standards, which are of unprecedented scope and rigor.

III. Monitoring Methodology

In order to verify compliance with the code of conduct adopted by Alta Gracia, the WRC carries out monitoring in accordance with the following protocol:

- Continual monitoring of compliance with the living wage requirement, through detailed monthly review of factory payroll records and worker pay slips and in-depth interviews with workers to ensure that factory payment 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 bi-weekly);
 - 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);
 - Regular visits to the facility to review relevant factory records, to observe the production process and to 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 by way of a

worker complaint as an area of concern. Workers may submit confidential complaints to the WRC. In the event that a complaint is received, an issue-specific assessment is 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 with the factory's union about all labor rights compliance issues.

Alta Gracia 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 and its U.S. parent company are obligated to act in a timely fashion to correct the violation.
- If and when a violation is identified, the WRC provides factory management 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, Alta Gracia shall relinquish the right to place a WRC hangtag 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 Alta Gracia to use the WRC hangtag 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

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 pesos³ 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

³ This number, which was released in 2010, is updated each year for inflation as per item (f).

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:

During the current monitoring period, the WRC conducted a detailed review of factory payroll records and hour logs for twelve pay periods between September 1, 2015, and September 1, 2016. In keeping with monitoring practices, the WRC interviewed Alta Gracia workers offsite and reviewed individual pay stubs to ensure that the factory continues to comply with the Living Wage Standard. In response to payroll issues identified through worker interviews or complaints, the WRC conducted issue-specific inquiries into payroll records to ensure compliance with the Living Wage Standard.

For the 2015-2016 monitoring period, the WRC found Alta Gracia to be in full compliance with all provisions of the Living Wage Standard. The WRC communicated with factory management about isolated worker-reported errors in the calculation or payment of wages and then monitored actions taken by the factory to ensure that workers were paid the full amount that they were owed.

The Living Wage Agreement signed at the time the factory was founded stipulates an annual adjustment for inflation to ensure that the benefit of the Living Wage Standard is not diminished by inflation. In the first collective bargaining agreement negotiated between the union and factory management, the two parties agreed that the factory would increase workers' salary by four percent annually to address inflation, with the caveat that, if inflation in a given year was significantly higher or lower than four percent, the union and factory management will instead negotiate an appropriate figure.⁴ Over the initial years of the contract, the wages at Alta Gracia increased by 4% annually, as this figure closely matched the actual inflation adjustment for the previous year. However, during the current monitoring period, figures released by the Dominican Central Bank indicated that inflation for the period October 2015 to October 2016 was only .91%.⁵ Given that the inflation rate was significantly lower than the 4% benchmark outlined in the contract, the parties agreed to a 2.5% salary increase, below the previous increases of

⁴ Collective Bargaining Agreement between Altagracia Project and Workers Union of Altagracia Project (SITRALPRO) (June 2013), Article 6.4.3.

⁵ See Dominican Central Bank 2016 inflation figures, <http://www.bancentral.gov.do/>.

4%, but well above the inflation rate. The inflation adjustment was implemented effective November 16, 2015.

The WRC verified that Alta Gracia continues to pay its workers a living wage. A review of payroll documents and pay stubs, together with information provided by workers during off-site worker interviews, confirmed that Alta Gracia workers currently earn 5,500.31 Dominican pesos (US\$119.20) per week or 22,001.24 Dominican pesos (US\$476.83) per month.⁶ The current minimum wage for workers employed in Dominican free trade zones is 7,220 Dominican pesos (US\$156.48) per month.⁷ The Alta Gracia living wage is slightly more than three times the wage for all other garment workers in the Dominican Republic. The only instances in which workers received a salary less than the established wage was when they took approved, unpaid leave that reduced their hours below the standard 44-hour workweek.

The WRC found that the factory is also in full compliance with its obligation to pay vacation days.

The WRC's review of payroll documents confirmed that Alta Gracia was in compliance with Dominican law with regard to the deductions taken from workers' pay. In accordance with Dominican law, the factory deducted the 5.91% combined deduction for employee contributions to the national pension and health care systems.⁸ In addition, the factory deducted 45 Dominican pesos (US\$0.98) per week for union dues from the pay of those union members who authorized this deduction; the WRC verified that the dues collected by the company were remitted to the union. The WRC verified that the factory did not make any unauthorized deductions from workers' pay.

Alta Gracia complied with Dominican law and with the Living Wage Standard with regard to the payment of overtime. In determining compliance with overtime regulations, it is important to note that, in keeping with the workers' stated preference, the factory does not use the standard Dominican work schedule, which consists of five eight-hour workdays, worked Monday through Friday, and a four-hour workday on Saturday, for a total of 44 hours. In consultation with workers, Alta Gracia instituted at the time of its inception a work schedule that consists of four nine-and-a-half-hour shifts (Monday to Thursday) and one six-hour shift (Friday). Workers and their representatives continue to report to the WRC that the workers approve of this alternate schedule, which allows them time during a business day (Friday) to take care of personal matters and the opportunity to spend more time with their families on the weekend. The law defines the payment of overtime based on the traditional Monday through Saturday work schedule⁹ and assigns different overtime rates depending on the day of the week and the time of day that

⁶ The exchange rate used for the conversions from Dominican Pesos to U.S. Dollars in this report was calculated at the exchange rate on the last day of the reporting period, August 31, 2016, which was US\$1:DOP 46.14.

⁷ *Resolution No. 8-2013*, Dominican Ministry of Labor, <http://www.omlad.gob.do/ResolucionesSalariales.aspx>.

⁸ Dominican Labor Code, Article 201 and Law 87-01 on the Dominican Social Security System.

⁹ Dominican Labor Code, Articles 147 and 148.

overtime is performed.¹⁰ Given that Alta Gracia's standard 44-hour workweek is completed before Saturday, the factory has committed to pay any hours worked upon completion of the 44-hour workweek, starting at 1:00 p.m. on Friday and including all hours worked on Saturday and Sunday, with an overtime premium of 100 percent for the hours worked. Therefore, Alta Gracia complies with the Living Wage Standard and consistently meets or exceeds Dominican labor law with regard to the payment of overtime.

The WRC found that Alta Gracia is in compliance with the law and with the Living Wage Standard with regard to the use of temporary workers. This standard requires that the total number of work hours performed by temporary employees during a calendar year may not exceed 10% of the total number of hours performed at the factory during this same period. The factory occasionally depends on temporary employees to unload materials from shipping containers and to provide manual labor for light construction projects when factory modifications or improvements are made. Through its regular review of payroll records, the WRC confirmed that temporary workers employed at the factory were paid at the rate required by the Living Wage Standard and did not exceed the 10% limit of total working hours performed at the factory during any pay period.

The WRC found that Alta Gracia provided appropriate compensation to all workers who were fired or resigned. During the current reporting period, a total of seven employees resigned from the factory and 25 employees were terminated. As the WRC has noted in the past, the factory enjoys a very low turnover rate for an apparel factory in the Dominican Republic. In keeping with the terms of the collective bargaining agreement, workers who resigned or were dismissed due to economic layoffs during the current monitoring received severance payments. These severance payments were calculated correctly based on the employees' length of service and the Living Wage Standard. No workers were fired for cause during this period.

The WRC reviewed payments of employees' year-end bonuses and found that these payments were correctly calculated based on the number of hours the employees worked and the salary the employees earned throughout the year.

In March 2016, members of the SITRALPRO executive committee requested that the WRC verify whether the factory had complied with the Living Wage Standard during a period when a limited amount of work was performed off-site. During this time, some Alta Gracia employees were temporarily assigned to complete tasks at another factory in the nearby town of La Vega that embellishes products sewn at Alta Gracia. The factory has, since its inception, contracted with this factory, United Pacific Group (UPG), to provide embellishment services, specifically dying and screen-printing. Alta Gracia workers expressed concern to the WRC that production processes other than dying and screen-printing were being carried out at UPG and that the workers completing these tasks were not receiving the living wage required at Alta Gracia.

¹⁰ Dominican Labor Code, Articles 203 and 204.

The WRC investigated the workers' complaint and found no violation with regard to the payment of living wage. To reach a determination, the WRC conducted a full investigation, during which UPG factory representatives offered the WRC full access to its facility. The WRC conducted one-on-one interviews with Alta Gracia workers and managers of both UPG and Alta Gracia. During these interviews, the WRC learned that Alta Gracia workers were, during a period of two months, sent to UPG to repair garments that were sewn at Alta Gracia, sent to UPG for embellishment, and damaged during the dying process as a result of a technical problem. Review of payroll documents and worker interviews confirmed that the Alta Gracia workers who were sent to UPG to repair the garments continued to receive their Alta Gracia living wage salary for the days they worked at the UPG facility. Furthermore, the Alta Gracia employees reported, and the WRC confirmed through document review, that these workers also received food and transportation for the days when they were sent to UPG. Based on its investigation of this issue, the WRC found no evidence that any process other than printing and dying was performed for Alta Gracia at UPG with the exception of the repair work, which was carried out exclusively by Alta Gracia employees. Thus, all cut-and-sew work performed on Alta Gracia shirts was performed by Alta Gracia employees and paid at the Living Wage Standard.

In sum, based on rigorous monitoring of the Living Wage Standard, the WRC found that the factory has met or exceeded all of its wage and benefit commitments.

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 WRC found Alta Gracia to be mostly compliant with the standards on working hours and overtime. The factory has made improvements in one area where a problem was identified in past reporting periods.

During the current monitoring period, the factory made a modification to its work schedule. As mentioned in the previous section, the factory work schedule consists of four nine-and-a-half-hour shifts, worked from Monday to Thursday, and a six-hour shift on Friday. During the current reporting period, factory management and the

SITRALPRO union agreed to implement a modification to this schedule. In past years, Alta Gracia employees were at the factory on Monday through Thursday from 7:00 a.m. until 5:30 p.m. with a paid meal break from 9:00 a.m. until 9:25 a.m. and an unpaid lunch break from 12:00 p.m. until 1:00 p.m. On May 1, 2016, Alta Gracia implemented the new schedule, which eliminated the paid morning break from 9:00 a.m. until 9:25 a.m. This paid break was moved to the beginning of the day and workers are now paid starting at 7:00 a.m. but do not begin working, and are not required to report to the factory, until 7:30 a.m. Thus, the first 30 minutes of the day constitute a paid meal break. The modified schedule was developed in an attempt to avoid a daily loss of productivity caused by workers transitioning from break to their work stations following the mid-morning meal break. Workers continue to be paid for a total of 44 hours per week, a schedule that complies with Dominican law.¹¹

This schedule change represents a negotiated compromise between the union and management. While many workers preferred the previous schedule with the mid-morning break, the workers' representatives recognized the need for a schedule that improved efficiency, and preferred this schedule to other options proposed by management, such as a longer workday on Friday. This reflects the maturing labor relations at Alta Gracia, which are significantly different from most garment factories; by engaging with mutual respect, the two parties identified a solution that both met the production needs of the factory and accommodated the preferences of the workers.

There has been improvement in one area of concern: the practice of workers choosing to perform off-the-clock work during their breaks. While a common practice in the Dominican apparel industry, off-the-clock work is illegal and is explicitly prohibited at Alta Gracia. During the past two reporting periods, the WRC had observed a small number of workers performing work during breaks. The motivations of the Alta Gracia workers are markedly different from what the WRC has observed at other factories where this problem has been identified. At other factories, workers are either directly pressured to work off-the-clock or indirectly compelled to do so by being subjected to production quotas they cannot fill during regular hours. At Alta Gracia, quotas are set at a reasonable level and there is no penalty for failing to meeting them, nor is there any pressure from management to work off-the-clock. Instead, some workers have independently decided to perform work off-the-clock in order to reach higher production targets that yield additional bonuses, above the living wage that all Alta Gracia workers are guaranteed. Since hitting the higher targets yields increased income, this off-the-clock work is compensated, as well as voluntary; however, best practice requires that it not be allowed. Given this, the WRC recommended that the factory ensure that all electricity is turned off during break times, to prevent off-the-clock work, a practice Alta Gracia management has followed. Factory management has also made announcements to workers on the factory floor informing the workers of the factory's policy with regard to work performed off-the-clock. WRC representatives observed several such announcements at the factory as well as meetings conducted by factory management with floor supervisors, instructing the supervisors to ensure that the electricity in their respective areas is turned off before the

¹¹ Ibid, Article 157.

supervisors begin their own break time. The supervisors were also instructed to ensure that the electricity is not turned on again until work recommences following the lunch break.

The WRC found that there has been improvement in this area during the current reporting period. During the period, the WRC observed, on only one occasion, the practice of a single worker performing tasks during the mid-day lunch break. In that case, the worker was folding clothes, a task that does not require electricity.

This issue at Alta Gracia has never involved many workers, or significant amounts of work time, and factory management has moved swiftly to adopt the WRC's recommendations. In view of this, in view of the fact that only one incident was observed during the current reporting period, and in view of the fact that the work is voluntary, is compensated, and is not driven by excessive quotas or other forms of coercion, the WRC finds no violation.

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 WRC found Alta Gracia to be in full compliance with the forced and child labor standard, based on worker interviews, reports from union officers, and WRC observation. During the September 1, 2015, to August 31, 2016, monitoring period, a total of 13 employees were hired as machine operators and in other positions 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.

Findings:

Alta Gracia continues to be a model of superior standards with regard to health and safety. This section includes background that outlines the steps taken during the factory

inception and first years of operation, a time during which it took extraordinary measures to ensure that the factory was operating under the best possible health and safety conditions. This section also addresses both specific improvements that the factory has undertaken during the current monitoring period with regard to health and safety and current recommendations by the WRC for additional improvements.

Alta Gracia Health and Safety Program

The factory's commitment to health and safety standards has taken the form of both detailed attention to physical safety and an investment in training and cultivating a labor-management Health and Safety Committee. While local law requires such a committee,¹² as do the laws of many garment producing countries, factories frequently fail to ensure that such a committee is established, that members are democratically chosen as prescribed by law, that participants are properly trained, and that workers have a genuine opportunity to report safety concerns and expect that management will hear and respond to these safety concerns. As the list of safety improvements in this report reflects, maintaining a safe and healthy workplace environment requires constant attention to infrastructure, equipment, and workplace practices. Providing workers with health and safety education and the opportunity to provide input are crucial to identifying these constant opportunities for improvement.

Technical expertise has been provided to Alta Gracia management and to the Health and Safety Committee by several key experts. Garrett Brown and Mariano Kramer of the Maquiladora Health and Safety Solidarity Network (MHSSN) played a key role in the establishment of superior health and safety standards during the factory's early years and the University of California at Berkeley Labor Occupational Health Program (LOHP) provided a series of assessments and evaluations key to the development of the factory's health and safety program.

Health and Safety During the Current Monitoring Period

Health and Safety Committees, which are comprised of members of management and worker representatives, are required by law in many countries where apparel is produced but all too often exist not at all or only on paper. At Alta Gracia, committee members are democratically selected, receive appropriate training, and have seen over time that key recommendations will be implemented. As a result, the factory is consistently improving its health and safety practices above the already exemplary baseline established at the factory's founding.

During the current monitoring period, the Health and Safety Committee fulfilled all legally required functions, including meeting at least once a month as required by law.¹³ The Committee continued to provide education on health and safety issues to the Alta Gracia workforce. Workshops conducted during the current monitoring period included a

¹² Regulation 522-06 on Safety and Health in the Workplace and Resolution 04-2007, Article 6.1.

¹³ Ibid, Article 6.4.2.

review of many of the topics covered in previous years. The Committee conducted regular informational sessions with workers on basic health and safety practices, including fire drills, the proper use of fire extinguishers, prevention of electrical fires, HIV and AIDS awareness and prevention, and basic first aid techniques. The Health and Safety Committee has actively sought to identify health and safety issues and recommend best practice improvements. During the current monitoring period, as a result of the recommendations made by the Committee and by the maintenance department, the following changes were implemented at Alta Gracia:

Fall Prevention

- In July 2016, the factory assembled a metal storage container to store boxes containing factory archives, which have, in the past, been stored in stacks on the ground, thereby presenting risk of tripping or falling.
- In May 2016, new gutters were installed on the exterior of the factory to prevent spillage onto exterior walkways, which could present a slip risk.



Injury Prevention

- In February 2016, a deteriorated section of corrugated metal roofing, which covers a small parking area and exterior walkway, was replaced in order to prevent injury to workers who often walk under it when entering and exiting the factory.
- In April 2016, energy efficient LED bulbs were installed in the factory's cutting department to replace the fluorescent tube lights used in this area and throughout the factory. The new bulbs are brighter than the fluorescent lights that were being used and serve to reduce risk of injury to workers in the cutting department by providing increased illumination.



- In November 2015, a metal bracket was mounted to the wall outside of the maintenance department that is used to stow a metal ladder, which was formerly stowed in a leaning position against the wall where it posed risk of injury.



Fire Safety

- In November 2015, the front entrance to the factory was widened to allow workers to more easily exit the building in the case of an emergency.
- In May 2016, a waterproof aluminum barrier was installed on the brick building that houses the factory's generator in order to prevent water seeping in and reaching the generator. The current structure of the building is an open brick design, commonly found in the Caribbean to allow air to circulate. The design of the building allowed water to reach the interior of the building during periods of strong rain, creating a potential electrical shock hazard, a problem that has been resolved with the addition of the aluminum barrier.

Asbestos

- The WRC recommended in the past two reporting periods that management address a possible asbestos risk identified in the former outdoor cafeteria. Initially, the industrial park owners were unresponsive to requests from the factory to undertake the steps necessary to remove the structure. However, following the current reporting period, Alta Gracia was able to remove the roof of the structure, which eliminated the asbestos risk.

Additional Health and Safety Committee Recommendations

The Health and Safety Committee has identified a number of additional improvements that can enhance health and safety standards at the plant. These include improving lighting in some areas of the plant and addressing trip hazards. The WRC concurs that these would be positive changes, in line with best practices, but finds that the existing conditions do not violate university codes of conduct.

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:

For the current monitoring period, the WRC once again found no evidence of discrimination in 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.¹⁴

During the current monitoring period, the WRC closely monitored the hiring process of the 13 employees who were offered employment at Alta Gracia and found no evidence of discrimination. The WRC also closely monitored the process by which 25 employees were terminated or were dismissed due to reductions in personnel and found no evidence of discrimination.

Alta Gracia continues to maintain exemplary standards with regard to its policy and practice regarding nondiscrimination. The factory continues to operate with transparency, allowing both union representatives and the WRC access to information related to the evaluation, interview and selection processes.

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 found Alta Gracia to be in compliance with all standards with regard to verbal abuse and harassment.

The WRC investigated a complaint filed by workers with regard to a specific factory supervisor. In July 2016, two employees reported to the WRC that a supervisor was verbally abusive to them. After interviewing both workers, several witnesses, and the supervisor himself, the WRC determined that the incidents did not constitute verbal abuse.

The WRC's investigation found that two separate incidents occurred during which the supervisor in question had disagreements with each worker concerning his or her work performance, but found no evidence that the supervisor used abusive language or made threatening or intimidating comments to the workers. Both of the disagreements stemmed from the supervisor attempting to identify the reason for delays on the workers' production line. According to testimony, the supervisor asked both workers to help their co-workers with production in order to address these delays; the workers responded that they were not responsible for the production goals of their co-workers. The workers provided no evidence indicating that the supervisor had raised his voice or used inappropriate language in his communications. The WRC did not identify any abusive

¹⁴ Compliance with the factory's obligation to not engage in gender discrimination is discussed below in the section concerning women's rights.

treatment and thus did not make any recommendations to the factory regarding the incident. The workers brought the issue to the attention of senior managers, who, to their credit, held several meetings with the two workers and the supervisor in an attempt to ensure that no future conflicts would occur.

G. Collective Bargaining and Freedom of Association

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.

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 found Alta Gracia to be in full compliance with the factory standard on freedom of association.

SITRALPRO

SITRALPRO, a factory-level union that represents the majority of Alta Gracia employees, was legally registered with the Secretary of Labor in June 2010. The union operates from an office located inside the factory and reports that it is able to carry out representational functions without interference from management. During this reporting period, the union experienced a leadership transition. In April 2014, the union elected its first Executive Committee by secret ballot election. The first elected Secretary General of the union, Maritza Vargas, resigned during this reporting period, on September 11, 2015. That day, the Executive Committee held a special session and elected Pablo Avelino as the Interim Secretary General, a post that he held until a secret ballot election with

participation of the full membership was held in June 2016, at which time 14 workers were elected to the Executive Committee and Eduardo Cabrera was chosen as the new Secretary General. These elections were held in the factory at a meeting space provided by the company. Workers report to the WRC that these elections have been held without any interference with management.

Labor-Management Dialogue and Negotiations

The WRC confirmed during the current reporting period that factory management continues to meet regularly with the union's Executive Committee. This includes weekly meetings to discuss production issues and biweekly meetings to discuss any other issues or workplace concerns, points that can be added to the meeting agenda by either party. The WRC finds that the relationship between the parties continues to be amicable and that the union plays a central role in the day-to-day operation of the factory, including participation in production meetings, hiring decisions, the health and safety committee, planning and implementation of the factory's educational programs, and disciplinary procedures.

During the current monitoring period, the factory and the SITRALPRO union signed a second collective bargaining agreement. The first agreement, signed in 2013 for a period of two years, contained exemplary wages and benefits, including annual salary increases and commitments to fund union-sponsored cultural events. Negotiations of a second contract began in May 2015 and were concluded in June 2016. In the previous comprehensive monitoring report, the WRC reported that the union and Alta Gracia management had reached agreement on proposed language for nearly all items contained in the new contract. While the signing of the agreement was delayed well past the expiration of the prior contract, due to the fact that the parties were negotiating over the amount of money to be provided as loans to workers with school-age children, the terms of the prior contract were kept in place until the signing of the new contract.¹⁵ The second collective bargaining agreement was signed on August 18, 2016, and the terms of the new contract were retroactive from the date that the first contract expired.

The new collective bargaining agreement includes a groundbreaking commitment by the company to support the establishment of a worker-run savings and loan cooperative. During the current monitoring period, Alta Gracia coordinated with union leaders to complete the steps required to legally register the cooperative. At the time of publication, SITRALPRO had received its official certification from the Dominican Institute of Development and Credit Cooperatives and was working through the processes needed to begin operations.

As mentioned in the executive summary in this report, Dominican garment workers generally depend on predatory lending structures to finance home improvement and construction and to cover other expenses. Factory management and the union have together explored several options to end workers' dependency on high-interest loans

¹⁵ This is required by Dominican law as outlined in Article 115 of the Dominican Labor Code.

given that these lending practices impede financial independence and place workers in vulnerable situations in which they are accountable to lenders operating outside of Dominican law. Although the initial amount available to the cooperative is relatively small, the existence of a cooperative offers workers access to a savings vehicle and low-interest financing which, in the future, could allow a large number of workers to consolidate debt from high-interest loans and finance home improvement projects at competitive interest rates.

The WRC applauds both the factory management and the workers' union for their efforts to work together to improve the functioning of Alta Gracia and to comply with all freedom of association standards.



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 Alta Gracia is fully compliant with women's rights outlined in the code standard, consistent with findings from the last six comprehensive monitoring reports on labor practices at the factory. Through worker interviews and review of factory hiring records, the WRC found no evidence of discrimination against women with regard to hiring, promotion, pay and benefits. Women are employed in every department in the factory with the exception of the cutting department, which is the smallest department in the factory, consisting of only seven workers. Women continue to make up approximately two-thirds of the entire workforce. The WRC continues to monitor hiring of employees in all positions and has not found any evidence of discrimination against female applicants based on gender or gestation.

In addition, the factory fully respects pregnant workers' rights, including the provision of appropriate accommodations for workers during their pregnancies and 12 weeks of paid maternity leave at the living wage rate. Workers returning from maternity leave are able to return to their former positions with the same salary and benefits. Over the course of this monitoring period, two employees took paid maternity leave without incident.