

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

**FINDINGS**

**February 15, 2019**



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## I. Introduction

This report documents compliance with labor rights standards at the Alta Gracia Project Holdings Limited factory (henceforth “Alta Gracia” or “the factory”), located in Villa Altagracia, Dominican Republic. In keeping with terms that have been agreed upon by the factory and its parent company, AG Triada, the Worker Rights Consortium (WRC) carries out comprehensive and regular monitoring at Alta Gracia to ensure that the factory is complying with enhanced labor standards, which include its unique commitments to pay a living wage and to respect freedom of association.<sup>1</sup>

A significant distinction between Alta Gracia and other apparel factories operating in the Global South is the fact that the factory pays its employees a true living wage. Workers consistently report on the importance of this wage and that earning a living wage enables them to have improved quality of life, most importantly with regard to the health, living conditions, and education for both workers and their families. The factory further distinguishes itself in the industry by the fact that its employees have been free to form an independent trade union, whose leaders were democratically elected, without any interference from factory management. The union and its leaders are treated with respect by factory management, who maintain an open door to the union and to workers to address workplace issues as they arise.

To verify that Alta Gracia is fully complying with the exemplary standards to which it has committed, the factory is subjected to intensive and constant monitoring by the WRC. Since the time of Alta Gracia’s inception, the WRC has undertaken ongoing assessment and monitoring of factory operations and publishes an annual comprehensive report of findings every year. This is the ninth consecutive report issued by the WRC on Alta Gracia, and it covers the period September 1, 2017 to August 31, 2018. The eight prior monitoring reports, documenting Alta Gracia’s compliance with labor rights standards and payment of a living wage, are available on the WRC website.<sup>2</sup>

During the current monitoring period, the WRC collected and reviewed evidence related to labor rights compliance at Alta Gracia and maintained communication with all interested parties. During this period, workers raised two specific complaints: one with regard to the improper calculation of the legally required year-end bonus and a second with regard to abusive treatment by a line supervisor. The WRC fully investigated both of these allegations and, upon confirming instances of noncompliance, brought them to the attention of factory management. Alta Gracia promptly resolved both issues.

A third issue was raised by the Union of Alta Gracia Project Workers (Sitrálpro), the factory-level union that represents workers at Alta Gracia, with regard to the factory’s policy on the payment of severance at the time of a worker’s voluntary resignation. The issue, which is outlined in greater detail below, was resolved after the union and

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<sup>1</sup> See “Labor Standards and Verification” for the Villa Altagracia Project Factory available on the WRC website, <https://www.workersrights.org/wp-content/uploads/2016/06/Alta-Gracia-Labor-Standards.pdf>.

<sup>2</sup> Annual monitoring reports prepared by the WRC on Alta Gracia can be viewed here: <http://www.workersrights.org/workers-rights/>.

management successfully negotiated an addendum to the Collective Bargaining Agreement (CBA), which addressed the issue in question; both labor and management were satisfied with the outcome of the negotiation.

As of the close of the current monitoring period, August 31, 2018, 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.

## **II. About the Factory**

Alta Gracia is a cut-and-sew facility in the Villa Altagracia Free Trade Zone, located in the town of Villa Altagracia in the San Cristobal province of the Dominican Republic. The factory produces university licensed apparel, including long- and short-sleeve t-shirts, sweatshirts, and sweatpants. At the end of the current monitoring period, August 31, 2018, the factory employed a total of 120 workers.

Alta Gracia was founded on a commitment to pay its workers a living wage, to respect freedom of association, and to uphold a set of labor standards that exceed those required by Dominican law and traditional university and corporate codes of conduct. At the time of the factory's inception in 2009, Alta Gracia's parent company at the time, Knights Apparel, signed an agreement with the union federation Fedotrazonas and with the WRC to this effect. The agreement includes important commitments by the factory to pay workers a living wage calculated by the WRC, to take unprecedented steps to ensure workers' right to freedom of association, and to maintain working conditions that meet or exceed the standards established by Dominican law and international labor codes. Alta Gracia is, to the WRC's knowledge, the only garment factory in the world that has agreed to and fulfilled such commitments.

In 2015, Knights Apparel was acquired by Hanesbrands and Alta Gracia Project Holdings Limited – registered in the United States as Alta Gracia Holdco – was spun off into an independent company. During the current monitoring period, Alta Gracia Holdco was purchased by AG Triada, led by its Chief Executive Officer, Chris Morocco. As a part of its acquisition of Alta Gracia, AG Triada has stated that it will uphold the original standards to which Knights Apparel committed at the time of the factory's inception.<sup>3</sup>

AG Triada has also agreed that it will continue to allow the WRC to conduct ongoing monitoring of the labor standards and the payment of living wage. As a part of the factory's commitment to allow the WRC access to its operations for monitoring purposes, the WRC allows Alta Gracia to place a hangtag on garments produced at the factory. The hangtag bears a statement from the WRC confirming that these garments are assembled at a factory that respects worker rights and pays workers a living wage. Permission to

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<sup>3</sup> Cision PR Newswire, "Alta Gracia, Only 'Living Wage' Apparel Manufacturer in the Developing World, Acquired by Seasoned Team," August 1, 2018, <https://www.prnewswire.com/news-releases/alta-gracia-only-living-wage-apparel-manufacturer-in-the-developing-world-acquired-by-seasoned-team-300689890.html>.

affix the WRC hangtag to the products is conditional upon Alta Gracia's continued compliance with the applicable labor standards.

Alta Gracia management continues to provide the WRC with unrestricted access to the factory, including the opportunity to speak with employees and to review relevant factory records. The WRC is aware of no other export apparel factory that has provided this level of access and transparency to an independent monitoring organization.

### **III. Monitoring Methodology**

To verify compliance with the labor standards adopted by Alta Gracia, the WRC carries out monitoring in accordance with the following protocol:

- Regular monitoring of the payment of a living wage, including (1) a monthly review of factory payroll records and (2) in-depth, confidential interviews with workers that are conducted off site to ensure that factory payment records match actual payments made to workers.
- Ongoing monitoring of compliance with all other code standards. This occurs 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 working conditions, and to inspect sanitary facilities, eating areas, machinery and safety procedures, and equipment (at least every other week)
  - Providing expertise to assist in resolution of disputes over implementation of standards required by the living wage agreement and the CBA, 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 through a complaint presented by a worker or identified as an area of concern by the WRC. Workers may submit confidential complaints to the WRC at any time. 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 carried out by workers and by the democratically-elected leaders of a labor organization. As such, the WRC communicates directly and regularly with representatives of the factory union on all issues related to compliance with labor rights and standards.

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 Apparel has agreed to relinquish the right to place a WRC hangtag on the product, or make any other public reference to the WRC's verification, until 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 Apparel 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 pesos<sup>4</sup> 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.<sup>5</sup> 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 12 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*

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<sup>4</sup> This number, which was released in 2010, is updated each year for inflation as per item (f).

<sup>5</sup> See footnote 4.

*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,<sup>6</sup> 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**

For the current monitoring period, the WRC found Alta Gracia to be in full compliance with all provisions of the Living Wage Standard.

To verify this compliance, the WRC conducted a detailed review of factory payroll records and hour logs for 12 pay periods between September 1, 2017, and August 31, 2018. As it has in previous monitoring periods, and in keeping with its monitoring protocol, the WRC also interviewed Alta Gracia workers offsite and reviewed individual pay stubs to ensure that the factory continues to comply with the Living Wage Standard.

As noted above, Alta Gracia's Living Wage Agreement stipulates an annual adjustment to the wage for inflation to ensure that the impact of the Living Wage Standard is not weakened by inflation. This Agreement was updated by the CBA signed between factory management and the Sitralpro union, which requires the factory to annually increase workers' salaries by four percent to address inflation with the caveat that, should the consumer price index in a given year be higher or lower than four percent, the parties will discuss adjusting the four percent figure up or down accordingly.<sup>7</sup>

During the current monitoring period, this increase was implemented on November 15, 2017. As per the terms of the CBA, the WRC notified both parties of the inflation rate for the period October 1, 2016 to September 30, 2017. The inflation rate for this period was 3.8%.<sup>8</sup> Subsequent to this notification, the parties met to discuss the inflation rate and agreed that the company would increase workers' salaries by 3.8%.

During the current monitoring period, the WRC verified that Alta Gracia continues to pay its workers the agreed-upon living wage. A review of payroll documents and pay stubs, together with information provided by workers during off-site worker interviews, confirmed that during the 2017-2018 reporting period, and following the November 15, 2017 wage adjustment, Alta Gracia workers earned no less than 5,766.41 Dominican

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<sup>6</sup> This language reflects the existing ownership and buyer relationships at the time of the factory's founding.

<sup>7</sup> Collective Bargaining Agreement between Altagracia Project and Workers Union of Altagracia Project (Sitralpro), Article 6.4.3.

<sup>8</sup> Central Bank of the Dominican Republic, <http://www.bancentral.gov.do/>.



pesos (US\$115.26) per week, not including compensation for overtime hours performed.<sup>9</sup> This is equivalent to a monthly salary of 24,984 Dominican pesos (US\$499.39).<sup>10</sup>

During the current monitoring period, the Dominican government approved a 20% wage increase to the minimum wage for workers employed in the country's free trade zones. As a result, the minimum wage for garment workers was raised to 10,000 Dominican pesos (US\$199.88) per month.<sup>11</sup> However, Alta Gracia workers continue to earn a salary that is vastly superior to that which is earned by other garment workers in the country as their monthly wage is two and a half times the minimum wage.

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.

Review of factory payroll documents confirmed that Alta Gracia is calculating payroll deductions in a manner that complies with Dominican law. The factory deducted the required 5.91 percent combined deduction for employee contributions to the national pension and health care systems.<sup>12</sup> In addition, the factory deducted 45 Dominican pesos (US\$0.90) per week for union dues for those union members who authorized this deduction; the WRC verified that the dues collected by the company were remitted to the union. The WRC also verified that the factory did not make any unauthorized deductions from workers' pay.

Alta Gracia complied with the payment of overtime hours as required by Dominican law and in accordance with the Living Wage Standard. Alta Gracia's standard work schedule differs from the standard Dominican workweek. While both consist of 44 hours per week, the standard work week consists of five eight-hour workdays, Monday through Friday, and a four-hour workday on Saturday. At the time that the factory began operation, and in consultation with workers about their desired preference, Alta Gracia instituted a schedule that consists of four nine-and-a-half-hour-shifts Monday to Thursday and one six-hour shift on Friday. Workers and their representatives continue to report 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. Dominican law defines overtime rates based on the traditional Monday through Saturday work schedule,<sup>13</sup> and differing rates are assigned to the overtime premium rate, depending on the day of the week and the time of day that

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<sup>9</sup> For the purposes of this report, the WRC has used the exchange rate from Dominican Pesos (DOP) to U.S. Dollars reported on the last day of the reporting period, August 31, 2018, which was US\$1:DOP 50.029.

<sup>10</sup> This figure is based on the Dominican calculation of a monthly wage, which is averaged as 23.83 eight-hour work days per month. This is outlined by the Dominican Ministry of Labor in *Resolution No. 14-2017*, <http://www.omlad.gob.do/ResolucionesSalariales.aspx>.

<sup>11</sup> The document referenced in footnote 10 establishes the most recent minimum wage for Dominican garment workers and took effect on January 1, 2018.

<sup>12</sup> Dominican Labor Code, Article 201, and Law 87-01 on the Dominican Social Security System.

<sup>13</sup> Dominican Labor Code, Articles 147 and 148.

overtime is performed.<sup>14</sup> However, given that the standard workweek at Alta Gracia is completed by early Friday afternoon and does not include any work on Saturday, Alta Gracia established with its workers a system stating that any hours worked upon completion of the 44-hour workweek, which ends at 1:00 p.m. on Friday, will be paid at the overtime premium of 100 percent for all overtime hours worked.

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

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. The Standard states 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. Through its review of factory documents, the WRC confirmed that, during the current monitoring period, only one temporary worker was employed at Alta Gracia for a period of three months. Following the three-month period, the worker was hired on a permanent basis. During every pay period that this worker was employed, including the period in which he was considered temporary, he was paid at the rate required by the Living Wage Standard.

The WRC reviewed the files of workers who were fired or resigned from the factory's employment and found that Alta Gracia had handled these cases in an appropriate manner. During the current reporting period, a total of eight employees left the factory's employment. All of these employees received full payment of their severance benefits, paid at the rate of the Living Wage Standard and based on the employees' length of service.

During the previous monitoring period, the WRC reported on a complaint filed by the Sitralpro union with regard to the factory's delayed payment of severance benefits to one worker. Dominican law requires payment of severance only in the case of a no-fault dismissal initiated by the employer.<sup>15</sup> However, the CBA signed between the factory and the union requires that workers who leave the factory to pursue better employment opportunities receive "the total employee benefits once justification for leaving has been presented to the company."<sup>16</sup> In reviewing the union's complaint, it became clear that the parties had a different interpretation of the term "benefits." The union reported that it understood this to mean payment of the full severance benefits that would be paid in the case of a no-fault termination, while factory management stated that the terminology did not explicitly state what benefits were to be paid and they did not consider that language to require that all workers receive that full amount. While the union agreed that the language was unclear, it noted that this full payment had been the practice at Alta Gracia since the time it began operations.

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<sup>14</sup> Ibid, Articles 203 and 204.

<sup>15</sup> Dominican Labor Code, Article 80.

<sup>16</sup> Collective Bargaining Agreement between Altagracia Project and Workers Union of Altagracia Project (Sitralpro), Article 10.1.

As the WRC reported in its 2016-2017 monitoring report, Alta Gracia agreed to pay the worker in question his severance, and the union and management agreed to jointly review, at a later date, the relevant article in the CBA and consider amending the language. During the current monitoring period, the parties completed this process and reached agreement on modified language to this clause of the CBA.

On March 15, 2018, Sitralpro and Alta Gracia management signed an addendum to the existing CBA modifying Clause 10.1 of the contract. The new language of the contract states:

If a worker, for reasons out of his or her control, has the need or obligation to resign as a result of studies, illness, travel, or an offer of better employment, the Company commits to pay the total amount of the worker's employment benefits, pending the company's approval of this departure. The company will analyze and respond within a period of no more than 10 days to the cases presented." (WRC translation)

Both parties reported to the WRC that they were satisfied with the outcome of the adjusted language of the contract.

In addition, during this monitoring period, the WRC received a complaint with regard to the payment of employees' year-end bonus. Dominican law requires all employers to pay workers a year-end bonus equivalent to one month's salary during the month of December, which is known as the "Christmas salary."<sup>17</sup> Workers filed a complaint with the WRC stating that they did not believe that the amount that they had been paid represented full payment of the year-end bonus. Upon receipt of the complaint, the WRC reviewed a sample of the year-end bonus payments and discovered that there had been an error in their calculation. After speaking with management, it was discovered that the miscalculation had resulted from a glitch in the computerized payroll computer system and that the unintentional miscalculation had affected all of the factory's employees. Upon identifying the source of the error, management immediately agreed to make the necessary adjustment. The WRC confirmed that the sum 128,309.93 pesos (US\$2,564.71) was paid out to workers in order to correct the miscalculation that had occurred. Given that there were 127 workers employed at Alta Gracia at the end of 2017, this represented an average payment of US\$20 per worker. In the WRC's review of a sample of the adjustments, the average adjustment reflected 4.4% of the worker's total bonus.

In the course of this year, the WRC found several other minor errors in its periodic review of payroll and brought these to the attention to management. In all instances, factory management acknowledged that the error had occurred and made prompt remedy.

Given that Alta Gracia management addressed all payroll-related issues in a timely manner, the WRC finds that the factory continues to meet its wage and benefit commitments.

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<sup>17</sup> Dominican Labor Code, Article 219.

## **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 Alta Gracia factory operates from 7:30 a.m. until 5:30 p.m. from Monday to Thursday with an unpaid lunch break between 12:00 and 1:00 p.m. On Friday, the workers report to work at 7:00 a.m. They have a half an hour break from 9:00 a.m. to 9:30 a.m. and finish their workday at 1:00 p.m. This reflects a modification from the factory's original schedule, which required workers to report to work a half an hour earlier Monday through Thursday with a 25-minute paid break from 9:00 until 9:25 a.m. The modified schedule from Monday to Thursday, which allows workers to come in a half an hour later, omitting the paid break from 9:00 a.m. to 9:25 a.m., was agreed upon by management and workers and implemented during the 2015-2016 monitoring period. Workers continue to report to the WRC that they are satisfied with this modified work schedule.

Workers continue to be paid for a total of 44 hours per week, a schedule that complies with Dominican law.<sup>18</sup> As outlined in the previous section, overtime is considered as all hours after the end of the workweek, which concludes on Friday at 1 p.m.

The WRC finds Alta Gracia to be in compliance with the standard related to working hours and overtime.

## **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.*

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<sup>18</sup> Dominican Labor Code, Article 157.

## Findings

The WRC found Alta Gracia to be in full compliance with the forced and child labor standard. The WRC confirmed through worker interviews, interviews with union officers, and the WRC's observation during regular visits to the factory that the factory did not make use of forced or child labor. During the current monitoring period, a total of two new employees were hired at Alta Gracia and the WRC confirmed that both of these workers were 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

Since the factory's inception, Alta Gracia has served as a model for health and safety standards in the apparel industry. At the time of its founding and during the first years of its operation, the factory submitted to rigorous assessment by specialists in the field of industrial health and safety to ensure that operations were established under the best possible health and safety conditions.<sup>19</sup>

Alta Gracia has a functioning Health and Safety Committee with active representation from workers. This committee is made up of seven factory employees and, in keeping with Dominican law, includes the participation of a representative of the union.<sup>20</sup>

During the current year, the Committee fell short of the legal requirement to hold a formal meeting once a month.<sup>21</sup> The WRC reviewed the minutes of several meetings of the Committee held during the monitoring year and confirmed that there were some months during which no meeting of the Committee was held. While the Committee meetings were not held consistently every month, the WRC confirmed that the Committee did informally discuss issues that arose between meetings and continued to make recommendations for improvements during those months.

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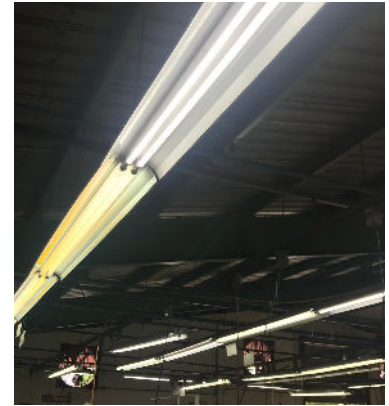
<sup>19</sup> To read more about the establishment of Alta Gracia's health and safety program, view the WRC's previous monitoring reports at <https://www.workersrights.org/workers-rights/#reports>.

<sup>20</sup> Regulation 522-06 on Safety and Health in the Workplace and Resolution 04-2007, Article 6.2.1.

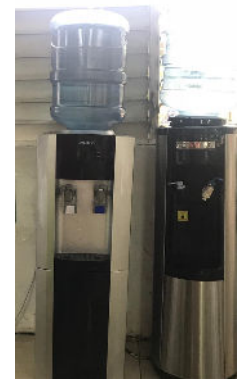
<sup>21</sup> Ibid, Article 6.4.2.

During the current monitoring period, the Health and Safety Committee implemented and oversaw a number of improvements to the factory. These included the following:

- In its previous monitoring report, the WRC reported on improved lighting that was installed in the factory's cutting department and noted the desirability of extending this improvement to other parts of the factory. During the current monitoring period, the factory began to change other lights from the existing fluorescent tube lights to a new type of LED light in order to provide improved illumination for workers. As of the end of the monitoring period, 30 of the fluorescent lamps had been converted to LED and the factory reports that it plans to convert the remaining 70 lamps. These new light bulbs emit a much brighter light and improve illumination for machine operators, thereby lowering the risk of injury. They also consume only 25% of the energy consumed by the previously-used fluorescent bulbs.
- In September 2017, the factory purchased new and improved water dispensers. Some of the dispensers had fallen into disrepair and were no longer working. The Committee recommended, and the factory approved, the purchase of three additional water dispensers. These dispensers are now available to workers. The factory has also approved the purchase of one additional dispenser. After it has been purchased, there will be a total of seven water dispensers available to factory employees.
- In March 2018, a chain was installed on the loading dock to create an additional safety mechanism in order to prevent accidents during loading and unloading at the factory dock.



*The factory is replacing fluorescent lights (left) with LED bulbs (right).*



*New water dispensers.*



*The pump that generates water to the cooling system was replaced.*

- In April 2018, the factory undertook a process to repair the factory's roof cooling system and to replace a pump that generates water to the system. The system includes 22 sprinklers that spray the roof and help to keep the building cool. Eight of the 22 existing sprinklers were repaired by the factory.
- In May 2018, a new roof was constructed over an outdoor eating area. In previous years, the Committee had requested that the owners of the industrial park where the factory is located remove the roof, which had posed an asbestos risk to the workers who chose to eat in



*Additional safety for loading dock.*



this area. The roof was removed in a previous reporting period; during this year, the factory was able to negotiate with the industrial park owners the installation of a new roof.

- In June 2018, the factory completed construction of a new cafeteria. The previous cafeteria was located next to the factory and belonged to an unoccupied factory building. Given that new renters are scheduled to move into that building, the factory undertook the steps necessary to complete its own cafeteria.
- At the conclusion of the monitoring period, in September 2018, the factory was repairing sections of the roof that were sagging and had caused a leak onto the factory floor.
- During the current monitoring period, the Committee reactivated the factory's Health and Safety Brigades. The Brigades, which were inactive for a period of several months, assist management in maintaining a safe and healthy workplace by assisting workers to evacuate the plant during drills, receive first aid when needed, and exit the building quickly in case of an emergency.



*The roof on the outdoor eating area was rebuilt.*



*Factory roof undergoes repairs.*



*One of the health and safety brigades assists workers with an emergency drill.*

## **Current recommendations**

The WRC commends Alta Gracia on its ongoing efforts to maintain high standards for factory health and safety and to seek continual improvement. It is positive that the factory has plans to resume trainings and has reactivated the health and safety brigades. Given that the factory did not comply with the requirement to hold a meeting every month of the

Health and Safety Committee, the WRC has recommended to Alta Gracia that it resume diligence in complying with this legal requirement. Alta Gracia management has confirmed with the WRC its commitment to ensure compliance going forward.

## **E. Non Discrimination**

### *Code Requirements*

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

### **Findings**

The WRC found no evidence during the current monitoring period 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.

The WRC monitored the hiring process of the two employees who were offered employment at the factory and found no evidence of discrimination.

## **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**

During the current monitoring period, the WRC received and investigated one complaint filed by workers with regard to abusive treatment of workers by a factory supervisor.

In the previous monitoring period, the WRC reported that an investigation in response to worker complaints identified verbal abuse by this supervisor. As noted in the WRC's report for that period, factory management issued a written warning to the supervisor and workers reported to the WRC that this led to significant improvements in the supervisor's behavior. At the close of the last monitoring period, the workers and their representatives reported that they were satisfied with the company's resolution of the issue.

During the current monitoring period, however, new complaints of abusive behavior on the part of the same supervisor were filed with the WRC. In June and July 2018, workers interviewed by the WRC reported incidents of verbal abuse by the supervisor and provided testimony about incidents of unwarranted, retaliatory discipline, including the



use of unsanctioned and inappropriate forms of discipline such as restricting workers' access to drinking water and use of the restrooms. Of further concern was the fact that workers gave credible testimony that the supervisor had engaged in behavior that constitutes sexual harassment, including retaliating against workers who would not become romantically or sexually involved with the supervisor.

Upon completing these interviews, the WRC immediately addressed the issue with factory management, reporting that it had collected sufficient evidence to merit the recommendation that the supervisor be terminated. As had occurred the previous year, management informed the WRC that it was already aware of workers' concerns. The factory also informed the WRC that it intended to terminate the supervisor in response to this behavior. The WRC confirmed that the supervisor in question was dismissed from the factory's employment on July 27, 2018.

Other than the incidents related to this supervisor, the WRC found no other incidents of verbal harassment and abuse at Alta Gracia during the current monitoring period. The WRC recognizes the quick action that was taken by factory management to address this incident and to take decisive action to ensure that the factory is living up to the high labor standards that have been established for its operation.

## **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 these standards and with Dominican law with regard to freedom of association.

Sitralpro, the union that represents nearly all of the Alta Gracia workers, is the only union present at the factory. Registered in 2010, Sitralpro has a small office in the factory as well as an office at a separate location where it holds evening and weekend activities with members. The union and factory management signed their first Collective Bargaining Agreement (CBA) in 2013. The second CBA was signed in August 2016 for a period of two years. During the current monitoring period, factory management and worker representatives reached an agreement to (1) negotiate the terms of one clause related to the payment of severance (detailed in the section on Wages and Benefits) and (2) to extend the term of the CBA for a third year. The new language and the extension to a third year were signed by the parties on March 15, 2018.

The union elected a new leadership committee on July 20, 2018. The union president who was elected in 2016 was re-elected for a second term, as were four of the other existing members of the leadership committee.

For the current year, the WRC again found that the union is able to conduct representational activities free of any interference from management. The union leaders are all employed at the factory and are permitted adequate time during the workday to meet with management, when necessary, and to undertake representational activities with the union members. Union elections were held without any interference from management.

During the current monitoring period, the WRC confirmed that the union met regularly with factory management to discuss issues of concern to workers.

The WRC recognizes that Alta Gracia management has, consistent with its commitments, undertaken an approach to workers' rights that allows the union and the members of the management team to work together to improve the factory's functioning and to ensure that Alta Gracia continues to be an exemplary model of the application of workers' rights.

## 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**

During the current monitoring period, Alta Gracia fully complied with its women's rights commitments as defined in the code standard. Through interviews with workers and worker representatives and a review of factory documents, the WRC found there to be no evidence of discrimination against female employees at the factory.

In addition, the WRC found the factory to fully respect the right of pregnant workers, including the provision of appropriate accommodations for workers during pregnancy and 12 weeks of paid maternity leave at the living wage rate.