

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

Findings

February 8, 2018



Table of Contents

I. Executive Summary	1
II. Background	2
III. Monitoring Methodology	3
IV. Applicable Standards and Findings	4
A. Wages and Benefits	4
B. Working Hours and Overtime	9
C. Forced and Child Labor	11
D. Health and Safety	11
E. Non-Discrimination	15
F. Harassment and Abuse	15
G. Collective Bargaining and Freedom of Association	16
H. Women’s Rights	17

I. Executive Summary

This monitoring report documents compliance with labor rights at the Alta Gracia Project Holdings Limited facility (henceforth “AP” or “the factory”) in Villa Altagracia, Dominican Republic. The Worker Rights Consortium (WRC) carries out comprehensive and regular monitoring at AP to ensure compliance with the enhanced labor standards guaranteed by the factory, including unique commitments to pay a living wage and to respect freedom of union association.¹

From the time of the factory’s inception, the WRC has developed and maintained a compliance assessment process for Alta Gracia Apparel and publishes annual comprehensive public reports of our monitoring. This report is the eighth of its kind and covers the period September 1, 2016 to August 31, 2017. Prior compliance reports issued by the WRC on AP are available on our website.²

AP is unique among apparel factories across the Global South. Alta Gracia distinguishes itself from other factories most strongly in that it pays its workers a true living wage. Furthermore, the independent trade union at the factory, whose leaders were democratically elected by workers without any interference on the part of factory management, is treated with respect by managers and plays an active role in maintaining exemplary working conditions at the factory. In consideration of the unique nature of this venture, it is essential that the factory thoroughly comply with the labor rights commitments that it has made. To verify that AP is fully complying with the standards to which it has committed, the factory is subjected to intensive and constant monitoring by the WRC. It is, in all likelihood, the most comprehensively monitored collegiate apparel factory in the world.

During the current monitoring period, the WRC collected and reviewed evidence related to labor rights compliance at AP and maintained communication with all interested parties. The WRC finds AP to be, as of the close of this period, 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.

In the course of this period, workers raised several complaints that, upon investigation, the WRC found to have merit. In each of these cases of noncompliance, including issues pertaining to overtime payments, verbal abuse, and occupational health and safety, factory management acted promptly to correct the violation and, where relevant, worked directly with the Union of Alta Gracia Project Workers (SITRALPRO) to achieve remediation. Overall, management continues to be responsive to worker concerns and WRC findings of violations. This report includes detailed findings regarding the two areas of noncompliance and the remediation that followed each issue.

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

² The WRC has, since December 2010, issued annual compliance reports regarding the Alta Gracia Project, which can be viewed at <http://www.workersrights.org/workers-rights/>. In addition, in July 2010, the WRC issued a public report solely concerning compliance with the living wage standard applicable to the factory.

This high rate of compliance, along with the prompt remediation of violations when identified, makes AP a model of compliance with worker rights in the global apparel industry. This is particularly true with regard to respect for workers' freedom of association. The factory-level union that represents workers at AP, SITRALPRO, is affiliated with the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS). The union, which, during the previous monitoring period, signed its second three-year collective bargaining agreement with factory management, continues to work to promote the rights of its members.

II. Background

AP is a cut-and-sew facility in the Villa Altigracia Free Trade Zone that produces primarily university licensed apparel, including long- and short-sleeve t-shirts, fleeces, and hooded sweatshirts. AP is located in the town of Villa Altigracia in the San Cristobal province of the Dominican Republic. At the end of the current monitoring period, August 31, 2017, the factory employed a total of 126 workers.

At the time AP was founded, and as mentioned above, the factory committed to comply with a set of labor standards that reflect more stringent standards on wages and freedom of association than those required by traditional university and corporate codes of conduct. The initial agreement calling for these standards was signed in 2009 by AP's former parent company, Knights Apparel, the Fedotrazonas union federation, and the WRC. The commitments highlighted within the terms of this agreement include the payment of a living wage, calculated by the WRC, unprecedented steps to ensure that workers are allowed to freely exercise their right to organize, and a strong commitment to maintain working conditions that meet or exceed the standards established by Dominican law and international labor codes. The WRC knows of no other factory in the international export garment industry that has agreed to and fulfilled such commitments.

In 2015, following the acquisition of Knights Apparel by Hanesbrands, Alta Gracia Project Holdings Limited, registered in the United States as Alta Gracia Holdco, was spun off into an independent company. At that time, Alta Gracia Holdco committed to continued compliance with the standards agreed to by Knights Apparel in the original agreement and to ongoing monitoring by the WRC.

AP is the exclusive manufacturer of the Alta Gracia brand t-shirts and sweatshirts. This brand of university and college logo apparel is sold at campus bookstores across the US and is marketed to consumers who are drawn to the fact that its clothing is produced under the highest standards for garment workers. As a part of the factory's commitment to allow the WRC access to constant monitoring of its operations, the WRC allows AP to place a hangtag on garments produced at the factory. The hangtag bears a statement from the WRC confirming that the products are assembled 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 AP's continued compliance with the applicable labor standards.

AP management continues to provide the WRC with unrestricted access to the factory, including any 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 AP, 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 offsite 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 offsite, 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 acknowledges that the most effective day-to-day monitoring of compliance with labor standards is carried out by workers and the democratically-elected leaders of their 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.

AP 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 US 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 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 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 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

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

month or 4,189.15 Dominican pesos per week. In order to be in full compliance with the Living Wage Standard, the factory must:

a. Pay all employees in the factory at least the Living Wage Standard, regardless of an individual employee's level of production, for a regular workweek, exclusive of any overtime hours. The only bonus that may be considered as payment toward fulfillment of the living wage obligation is the annual mandatory Christmas bonus which all employees in the Dominican Republic receive regardless of production level. All production bonuses, all other non-mandatory bonuses and incentives, and all compensation for overtime hours must be paid in addition to the Living Wage Standard.

b. Make no deductions from employees' pay other than those mandated by law.

c. Pay employees for any overtime hours at the premium rate required by law, using the Living Wage Standard, or the actual straight time wage, whichever is higher, as the basis for calculating the premium rate.

d. Employ all employees on a year-round basis, and compensate them in accordance with the Living Wage Standard, without lay-offs or furloughs, so that the annual wage earned by a given employee—not including non-mandatory bonuses, incentives, and overtime—is consistent with the Living Wage Standard. The only circumstances under which an employee may receive less than the living wage over the course of a year is if the employee, of his or her own volition, takes unpaid leave for some portion of that year. Unpaid leave is time off that is taken voluntarily and that is not required, by law or by contract, to be compensated as paid vacation, paid sick leave, or other paid leave.

e. Minimize the use of temporary and part-time employees, so that, in the course of a year, no more than 10% of the hours worked at the factory are worked by individuals who are not full-time, year-round employees. Pay any part-time or temporary employees no less than the Living Wage Standard for all regular hours worked, plus any applicable bonuses, incentives, and overtime pay.

f. Ensure that the value of the living wage is not eroded through inflation, by adjusting the Living Wage Standard, in October of each year, to account for the increase in the cost of living over the prior twelve months, if any, as measured by the Dominican Central Bank. If a union is present in the factory, the factory may, at the union's request, modify the schedule for revising the Living Wage Standard to incorporate the revision into the collective bargaining process, provided that employees are made whole for any loss of wages due to delay in the revision of the Living Wage Standard that may result. Wages must be increased to reflect increases in the cost of living, but there will be no reduction in wages in the event of deflation.

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

Findings

During the current monitoring period, the WRC conducted a detailed review of factory payroll records and hour logs for 12 pay periods between September 1, 2016, and August 31, 2017. In keeping with its monitoring protocol, the WRC interviewed AP 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 2016-17 monitoring period, the WRC found AP to be in full compliance with all provisions of the Living Wage Standard. The WRC communicated with factory management about isolated errors identified by workers and by the WRC during regular review of payroll documents related to 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 by the parties stipulates an annual adjustment 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 AP management and SITRALPRO in 2013, which requires the factory to annually increase workers' salaries by four percent to address inflation, with the caveat that, if the consumer price index in a given year is higher or lower than four percent, the parties will discuss adjusting the four percent figure up or down accordingly.⁴

The 2016 annual increase in workers' pay was implemented on November 25, 2016, and included retroactive payment from November 15, 2016. The parties agreed to limit the annual increase to 2.5%, as the inflation rate for the period between was only .91%.

For the period of October 2016 to October 2017, the Dominican Central Bank released figures showing the inflation rate to be 3.8%.⁵ As required by the CBA, the WRC notified both the union and AP of the rate of inflation. The parties met to discuss the cost of living increase for the coming years and on November 1, 2017, agreed to a salary increase of 3.8%, which was implemented on November 15, 2017. While the most recent increase took place subsequent to the close of this reporting period, we include it here as it was implemented prior to the date of this report.

During the current monitoring period, the WRC verified that AP continues to pay its workers a living wage. A review of payroll documents and pay stubs, together with information provided by workers during offsite worker interviews, confirmed that during the 2016-2017 reporting period, AP workers earned the contractually agreed upon amount of 5,555.31 Dominican pesos (US\$118.65) per week or 22,221.24 Dominican pesos (US\$474.6) per month, not including

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

⁵ Dominican Central Bank <http://www.bancentral.gov.do/english/>.

compensation for overtime hours performed.⁶ The Dominican minimum wage during the 2016-2017 reporting period for workers employed in Dominican free trade zones was 7,220 Dominican pesos (US\$154.20) per month.⁷ The AP 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 AP was in compliance with the deductions taken from workers' pay. In accordance with Dominican law, the factory deducted the 5.91 percent combined deduction for employee contributions to the national pension and health care systems.⁸ In addition, the factory deducted 45 Dominican pesos (US\$0.96) 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 verified that the factory did not make any unauthorized deductions from workers' pay.

AP also complied with the payment of overtime hours as required by Dominican law and in accordance with the Living Wage Standard. In determining compliance with overtime regulations, it is important to note that, in keeping with the workers' stated preference, AP 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, AP 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 overtime is performed.¹⁰ Given that the official 44-hour workweek is completed before Saturday, AP pays 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. As outlined in the section on overtime, below, there was one instance of failure to pay overtime, which was corrected in response to a WRC investigation. In all other instances, the WRC found that AP had complied with the Living Wage Standard with regard to the payment of overtime.

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, 2017, which was US\$1:DOP 46.82.

⁷ Garment workers in the Dominican Republic are paid according to the minimum wage established for the country. The most recent wage was set by *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.

¹⁰ *Ibid*, Articles 203 and 204.

The WRC found that AP is in compliance with the law and with the Living Wage Standard with regard to the use of temporary workers. The latter 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 does, on occasion, depend on temporary employees to unload materials from shipping containers and to provide manual labor for light construction projects when factory modifications or improvements are needed. Through its regular review of payroll records, the WRC confirmed that temporary workers employed at AP during the current monitoring period were paid at the rate required by the Living Wage Standard and that the total number of working hours performed by those workers were far less than the 10% limit of total working hours performed at the factory during the same period.

The WRC found that AP appropriately addressed cases in which workers were fired or resigned. During the current reporting period, a total of four employees resigned from the factory. As the WRC has noted in the past, this is a very low turnover rate for an apparel factory in the Dominican Republic. All of these employees received severance payments, which were paid at the rate of the Living Wage Standard based on the employees' lengths of service.

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

In November 2016, the WRC received a complaint from SITRALPRO with regard to the delayed payment of severance for one of the four workers who resigned from the factory. The worker, who left the factory's employ on October 16, 2016, to pursue another employment opportunity, requested payment of severance but was not promptly paid this money by the factory.

Dominican law requires payment of severance only in the case of a no-fault dismissal initiated by the employer.¹¹ The CBA signed between the employer and the union requires that workers who leave the factory to pursue better employment opportunities receive "the total employee benefits upon justification for leaving the company."¹² While the language does not explicitly state that this includes full payment of severance, both the company and the union had consistently interpreted it in this way.

AP ultimately agreed to pay the worker his severance, a payment that was made on January 23, 2017. The union and AP management have agreed to jointly review the relevant article in the CBA and consider possible changes.

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

¹¹ Dominican Labor Code, Article 80.

¹² Collective Bargaining Agreement Between Altagracia Project and Workers Union of Altagracia Project (SITRALPRO), Article 10.1.

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 AP to be compliant with the standards on working hours. The WRC did receive and investigate one serious complaint with regard to unpaid overtime, which is explained in detail below. Factory management promptly resolved this instance of noncompliance after the WRC presented management with the results of our investigation on the issue.

The factory operates from 7:30 a.m. until 5:30 p.m. from Monday to Thursday with an unpaid lunch break between 12:00 noon and 1:00 p.m. On Friday, the workers work from 7:30 a.m. until 1:00 p.m. with no meal break. This reflects a modification from the factory's original schedule, which required workers to report to work a half an hour earlier and then provided them with a 25-minute paid break from 9:00 a.m. until 9:25 a.m. The modified schedule 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.¹³

In June 2017, the WRC received a complaint from SITRALPRO that more than 30 workers performed overtime over the course of several days and had not received any compensation for the additional hours of work.

The WRC's investigation of this issue found that supervisors had, in fact, made arrangements with workers to work uncompensated overtime. For this investigation, the WRC conducted confidential interviews with workers as well as interviews with factory management, including the supervisors who requested that workers perform the overtime hours. The WRC found that a total of 34 workers collectively performed more than 200 hours of overtime during May and June. On May 17 and 19 and on June 1 and 2, workers were asked by their direct supervisors to work overtime to meet a production deadline and were told that these additional hours would not be paid immediately, but that the additional hours worked would be documented and that

¹³ Dominican Labor Code, Article 157.

workers could take the corresponding number of hours off for personal leave in the future. This practice of asking workers to “bank” their hours is a common practice in the Dominican garment industry, but directly violates the Dominican Labor Code which requires a premium payment for hours performed in excess of 44 hours per week.¹⁴

Through its investigation, the WRC learned that the decision to ask workers to perform uncompensated overtime was made by two floor supervisors who did not seek authorization from factory management. In fact, managers reported to the WRC that the supervisors in question had inquired with management about the possibility of asking workers to perform the unpaid overtime in exchange for banking the hours worked for future leave, and that managers informed the supervisors that what they were proposing was a violation of Dominican law. Management explicitly ordered the supervisors *not* to ask any of the workers under their charge to work additional hours in exchange for future promise of time off. The supervisors in question reported to the WRC that they felt pressure to meet production goals and therefore proceeded to make arrangements directly with workers to perform unpaid overtime, despite the managers’ express prohibition to do so. The overtime was performed during times when managers had already left the factory and, therefore, initially went unnoticed by factory management.

Following the WRC’s investigation, AP management took swift action to remedy the violation. On June 16, 2016, the factory provided a total of 45,353.21 Dominican pesos (US\$968.67) to the 34 affected workers for the unpaid hours of overtime. The WRC reviewed records of these payments and determined that the amounts paid to each worker represented full compensation for the overtime hours worked, based on worker testimony as to the number of hours. The factory also issued written disciplinary warnings to the two supervisors who undertook this action without management’s knowledge. The WRC was also present at the factory on June 20, 2016, when factory management and union representatives made an announcement to the entire workforce informing the workers that unpaid overtime is expressly prohibited by Dominican law and that workers were free to reject any such proposal and report any violations to their union representatives, factory management, or the WRC.

In all other aspects of its review, the WRC found AP to be fully compliant with applicable laws related to working hours and overtime. Furthermore, the WRC recognizes that the monitoring mechanism, which allowed the workers and their representatives to bring an issue to the attention of the WRC, was effective in quickly identifying a violation of workers’ rights. The factory’s prompt response to the issue and full implementation of the remedial steps recommended by the WRC indicate AP’s ongoing understanding of the importance of compliance with all labor rights standards and the need to remedy any violations that occur.

¹⁴ Ibid.

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 AP to be in full compliance with the forced and child labor standard, a determination that was made based on worker interviews, reports from union officers, and WRC observation. During the September 1, 2016 to August 31, 2017 monitoring period, a total of four employees were hired at the factory 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

AP has continued to serve as a model for health and safety standards in the apparel industry. The following section contains a brief background that highlights the work completed during the founding of the project and the first years of operation, during which time a rigorous effort was made to ensure that the best possible health and safety conditions were established in the factory. This section also addresses both specific improvements made at the factory during the current monitoring period as well as other improvements that have been identified by the WRC or by factory workers or management.

History of Health and Safety Compliance at AP

When the factory opened and during the first several years of production, AP took decisive action to guarantee that the factory consistently maintained augmented health and safety standards, superior to those found in other factories in the Dominican Republic and around the world. When the project launched, factory management consulted two highly regarded health and safety experts, Garrett Brown and Mariano Kramer of the Maquiladora Health and Safety Solidarity Network (MHSSN).

During the first three years of factory operation, MHSSN and the University of California at Berkeley Labor Occupational Health Program (LOHP) provided direct technical assistance and trainings, which allowed the factory to establish an exceptional occupational safety and health program. The MHSSN and LOHP advised the factory during the renovation of the physical plant on best practices in the apparel industry and conducted four intensive factory evaluations.

Different from many other garment factories, the factory has an active and highly functional Health and Safety Committee with active participation of workers. This committee has been a key component of the factory's health and safety program. Dominican law requires that such a committee be present at a factory and that the committee be comprised of both managers and workers.¹⁵ In June 2010 and July 2013, MHSSN and LOHP provided training to the factory's Health and Safety Committee. The committee also received training from local government agencies on how to avoid potential hazards and injuries. The health and safety improvements that the factory has adopted as a result of these consultations, inspections, and trainings are reviewed in detail in previous Comprehensive Monitoring Reports.

Health and Safety During the Current Monitoring Period

During the current monitoring period, the committee met at least once a month as required by Dominican law.¹⁶ The committee has continued to provide education on health and safety issues to the Alta Gracia workforce. Workshops conducted by government officials for Alta Gracia workers and management between September 1, 2016 and August 31, 2017 included a review of many of the topics covered in previous years, including the proper use of fire extinguishers, prevention of electrical fires, basic first aid, and HIV and AIDS awareness and prevention. The committee also conducts periodic fire drills.

In June 2017, workers reported to the WRC that both the men's and women's restrooms were no longer being stocked with liquid soap and toilet paper. Dominican law requires the employer to provide both soap and toilet paper in all restrooms.¹⁷ During a visit to the factory, a male WRC representative confirmed that the men's restroom was not stocked with toilet paper in any of the stalls and that soap was not available at the sink. During the same visit, the WRC asked female workers to verify whether or not toilet paper and soap were provided in the women's restrooms; female workers confirmed that these restrooms also lacked toilet paper and soap.

In response to the workers' complaint and the WRC's onsite inspection, the WRC discussed the problem with management. In response, the factory agreed to remedy the problem and to ensure that, going forward, the restrooms would be continuously stocked with toilet paper and soap. The WRC has observed that, since that time, the restrooms have been continuously stocked with liquid soap and large, industrial-size rolls of toilet paper.

The WRC also received a complaint from workers in July 2017 with regard to a new brand of bottled drinking water purchased by the factory for the workers' consumption. In the Dominican

¹⁵ Regulation 522-06 on Safety and Health in the Workplace and Resolution 04-2007, Article 6.1.

¹⁶ Ibid, Article 6.4.2.

¹⁷ Ibid, Article 1.19.3.

Republic, tap water is generally not safe for drinking and, therefore, does not comply with the law requiring employers to provide suitable drinking water.¹⁸ AP provides drinking water by purchasing five-gallon water bottles that are placed around the factory and made accessible to workers.

As a result of reported inconsistent delivery, in July 2017, AP changed from its water supplier, a company known as “Planeta Azul” to a new company, “Agua el Duey.” Following the change, several workers reported to the WRC that the water had a strange taste and alleged that it was causing them to have an upset stomach. In response to the complaint, the WRC tested a sample bottle of the Agua el Duey water at a laboratory in the capital city of Santo Domingo. The test results showed that the water in this sample did not meet norms for microbial bacteria in treated water, as required by Dominican law.¹⁹ The laboratory results showed that the Agua el Duey water contained trace amounts of *pseudomonas aeruginosa*, a bacteria that can cause a variety of symptoms in humans with existing illnesses as well as urinary tract infections in an otherwise healthy person.²⁰ The presence of any amount of this bacteria makes the water unfit for human consumption according to Dominican law.²¹

In response to the WRC’s findings, AP returned to sourcing its drinking water from Planeta Azul, developing with this company a plan to ensure that the inconsistent delivery experienced previously would be corrected.

Other health and safety measures that were implemented by the factory during the current reporting period as a result of recommendations made by the factory’s Health and Safety Committee and the by the maintenance department include the following:

- In July 2017, new light bulbs were installed in the cutting department and in several production modules. 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 tubular bulbs.



¹⁸ Ibid, Section 1.16.

¹⁹ Dominican Standard on the Quality of Water, Ice, and Processed and Bottled Drinking Water.

²⁰ Balcht A, Smith R (1994). *Pseudomonas Aeruginosa: Infections and Treatment*. Informa Health Care. pp. 83–84.

²¹ Dominican Standard on the Quality of Water and Ice, Processed and Bottled Drinking Water, Article 6.2.

- In August 2017, the factory installed a hinged ramp onto the loading dock that is used to load and unload material and unfinished merchandise from the trucks that arrive at the factory. Without the ramp, the loading dock is approximately one foot lower than back of the trucks; the difference in height had been identified as a risk of injury for the workers who use rolling handcarts to load and unload boxes. The ramp connects the loading dock with the back of the truck, thereby addressing the risk of injury.



- In August 2017, several concrete blocks, approximately five cubic feet in size, that sit outside the loading dock outside the factory were painted with white and red paint with the Alta Gracia Project logo so that they would be more visible to truck drivers who deliver shipping containers in reverse to the loading dock.



Additional Areas for Improvement

While AP took significant steps to promptly address several issues that were identified by workers for improvement, there are other recommended improvements that have not yet been implemented by the factory. The WRC continues to monitor the factory's schedule for making the following improvements that were suggested by the Health and Safety Committee, factory employees, and the WRC:

- Before the factory installed the hinged ramp onto the loading dock, the maintenance department attempted to partially excavate the driveway leading up to the loading dock in order to allow for the back of the trucks coming in to be flush with the loading dock for safe loading and unloading. After beginning the process of breaking apart the pavement in the driveway, plans to excavate were abandoned, leaving an area of uneven, broken pavement close to the dock, which could present a fall risk. When the WRC raised this issue, the factory committed to repave it.
- Given the effectiveness of the brighter bulbs installed in some modules, the WRC has suggested that they be expanded throughout the facility. The factory has tentatively agreed to install additional bulbs during the next reporting period.

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.

During the current monitoring period, the WRC closely monitored the hiring process of the four employees who were offered employment at AP and found no evidence of discrimination in the hiring process.

AP continues to maintain exemplary standards with regard to its policy and practice regarding non-discrimination. 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 for the hiring and dismissal of workers.

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

During this period, the WRC received and investigated one complaint filed by workers with regard to a specific factory supervisor. In July 2017, four employees reported to the WRC that a supervisor was verbally abusive to them. After conducting interviews with the four workers, as well as with several witnesses, the WRC found that supervisor did, in fact, speak to the workers in a way that would constitute verbal abuse. At least one worker interviewed by the WRC had, at the time of the interview, already presented a complaint to factory management. When the WRC addressed the issue with management, a plan of action had already been made to reprimand the supervisor. The supervisor received a written warning stating that he was required to change his

verbiage when speaking with workers under his charge in order to treat them in a respectful manner. The WRC conducted further interviews with workers who filed the complaint and found that the supervisor's behavior improved significantly following management's intervention. The WRC will continue to monitor the situation.

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 AP to be in full compliance with the factory standards and Dominican law with regard to freedom of association.

Union Background

The union that represents nearly all of the workers at Alta Gracia, SITRALPRO, is the only union present at the factory. The union was registered with the Dominican Ministry of Labor in June 2010 and operates currently in a small office space in the factory and conducts 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. The union has held two secret ballot elections to elect its officials since the factory began operations. The most recent election was held in June 2016, at which time 14 members were elected to the Executive Committee. The WRC has confirmed that all elections of union officials occurred in a meeting space in the factory with no members of management present.

Workers also report that the campaigns waged by candidates for the positions in the Executive Committee were free of any interference from management.

Labor-Management Dialogue

The WRC confirmed during the current reporting period that factory management continues to meet regularly with the union's Secretary General and members of the Executive Committee. The parties meet weekly to discuss production issues and disciplinary issues and meet biweekly to discuss other workplace concerns, such as health and safety concerns and implementation of benefits outlined in the collective bargaining agreement. The WRC continues to observe an amicable and professional relationship between the union and factory management and confirms that the union plays a key role in the daily operation of the factory. The union also plays an important role in the design and implementation of educational programs, disciplinary procedures, and the establishment production incentives.

The second collective bargaining agreement signed between the factory and the union, which is in its second year of duration, included groundbreaking commitments by the company to make a financial contribution toward the establishment of a worker-run credit union and to provide funds for the initial administrative set up costs. The company agreed to provide 400,000 Dominican pesos (US\$8,543) during the life of the three-year agreement for this purpose. During the current reporting period, the company provided a total of 8,735 Dominican Pesos (US \$183) to cover the costs of an informational workshop led by a representative of the Dominican Institute for the Development of Credit Cooperatives and has provided administrative support to the union during its efforts to formally register the cooperative. At the time of the publication of this report, the union was in the final phases of registering the cooperative with the Dominican Institute of Development and Cooperative Credit and expected to receive the first worker deposits in early 2018.

The WRC applauds both factory management and SITRALPRO for their efforts to work together in order to improve the functioning of AP and to comply with all standards on freedom of association.

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, AP was compliant with women's rights as defined in the code standard. This is consistent with the WRC's findings from the last seven Comprehensive Monitoring Reports on labor practices at the factory. The WRC conducted interviews throughout the monitoring period and reviewed hiring records and found no evidence of discrimination of female employees in hiring, promotion, salary, or benefits. Women are employed in every department of the factory with the exception of the cutting department, which is the smallest department in the factory, with only five workers. The factory's administrative staff is comprised exclusively of women, with the exception of the Plant Manager. Women continue to represent approximately two-thirds of the entire workforce at AP.

In addition, the factory fully respects pregnant workers' rights, including the provision of appropriate accommodations for workers during pregnancy and 12 weeks of paid maternity leave at the living wage rate. Workers returning from maternity leave during the current period were able to return to their former positions with the same salary and benefits. During the monitoring period, three employees took paid maternity leave without incident. The factory also made legally required accommodations for employees who are breastfeeding.