

# Paying to Work

Forced Labor Indicators and Exploitative  
Recruitment Practices in the Malaysian  
Apparel Industry

October 2024

## Appendix A:

Buyer and Supplier Responses to Original Investigation

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# 1.0 Bravado Designs Responses

1) July 2021: Bravado Position Statement

## Bravado Designs Response

### July 2021: Bravado Position Statement



#### Bravado Position Statement July 2021

##### Transparentem Investigation

In 2019 Transparentem launched a new inquiry into non-compliant labour practices in Malaysia; approx. 110 workers in five factories were interviewed between November 2019 and October 2020.

One of the factories identified in this investigation was Classita, a factory Bravado Designs currently works with; 13 then current employees of Classita were interviewed - 12 from Bangladesh, 1 from Nepal (all men) - most workers had been at the factory from between 1 - 3 yrs.

Bravado takes the investigation findings and allegations against Classita very seriously; on January 6, 2021, we advised Classita of our awareness of the Transparentem investigation and our plans for an independent audit and validation.

Bravado also informed Classita that our future business relationship is dependent on their cooperation in this investigation and rectifying any negative outcomes.

##### Code of Conduct (CoCT)

Bravado Designs Ltd. requires that all vendors and nominated suppliers sign and adhere to our internal *Code of Conduct*.

Bravado seeks to align itself with business partners that share our commitment to the promotion of best practices and continuous improvement.

Specifically, we practice and expect our business partners to likewise participate in and promote:

- o Occupational health and safety, compensation, hours of work and benefits
- o Minimizing our impact on the environment
- o Management practices that recognize the dignity of the individual, the rights of free association and collective bargaining, and the right to a workplace free of harassment, abuse, or corporal punishment
- o The principle that decisions of hiring, salary, benefits, advancement, termination, or retirement are based solely on the ability of an individual to do the job

The Code of Conduct must be signed prior to Bravado Designs initiating any work with a vendor or nominated supplier; this document is kept on file for the duration of the partnership.

*Bravado has a signed CoCT from 2011 and 2021 on record from Classita.*



Certifications

Bravado Designs Ltd. requires the following certifications be achieved and maintained by any vendor entering into a partnership with us:

- **Worldwide Responsible Accredited Production (WRAP)**  
(<https://wrapcompliance.org/>)
  - WRAP certification ensure dedication to ethical and responsible business standards
  - It demonstrates that laws of the country are obeyed, workers are treated with dignity and respect, and you are conscious of the impact your operation has on the environment
  - The WRAP certificate is a recognized symbol of a commitment to uphold social and ethical standards
  - *Classita had WRAP certification up to March 25, 2020, but were unable to re-certify due to COVID travel restrictions and auditor availability; they were re-certified in January 2021*
  
- **SA8000** (<https://sa-intl.org/programs/sa8000/>)
  - The SA8000 Standard is the world's leading social certification program
  - The SA8000 Standard is based on internationally recognized standards of decent work, including the Universal Declaration of Human Rights, ILO conventions, and national laws
  - SA8000 applies a management-systems approach to social performance and emphasizes continual improvement—not checklist-style auditing
  - Bravado added SA8000 to our certification requirements to specifically enhance and focus on workers rights and fair treatment
  - This new certification program was initiated in 2020 but due to COVID restrictions it will not be in place until approx. Q3 in 2021
  - This certification is a new requirement for all vendors to continue to work with Bravado
  - It provides a holistic framework allowing organizations of all types, in any industry, and in any country to demonstrate their dedication to the fair treatment of workers
  - Created by SAI in 1997 as the first credible social certification, it has led the industry for over 20 years
  - *Classita has their final audit scheduled in August 2021 and it is anticipated they will receive their SA8000 certification*

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- **Oeko Tex Standard 100** (<https://www.oeko-tex.com/en/our-standards/standard-100-by-oeko-tex>)
  - STANDARD 100 by OEKO-TEX® is one of the world's best-known labels for textiles tested for harmful substances - it stands for customer confidence and high product safety
  - If a textile article carries the STANDARD 100 label, it means that every component of this article, i.e., every thread, button, and other accessories, has been tested for harmful substances and that the article therefore is harmless for human health
  - The test is conducted by an independent OEKO-TEX® partner institute based on our extensive OEKO-TEX® criteria catalog

Tenaganita Investigation

In response to the Transparentem investigation Bravado engaged a 3<sup>rd</sup> party labour rights organization in Malaysia, Tenaganita, to initiate an investigation at Classita, on behalf of Bravado.

On January 18, 2021, Bravado advised Classita of this arrangement.

The intention of this investigation was to understand the allegations made by Transparentem and determine if they could be validated using the best available resources and an expansive investigation of Classita's labor practices.

The on-site investigation took place from February 24 – 27, with 3 auditors from Tenaganita.

A final Social Audit Final Report was provided to Bravado on March 25, 2021.

The Social Audit Final Report clearly states that Tenaganita did not find any ILO indicators of forced labour (based on the content from the Transparentem PIN).

On April 1, 2021, Classita was advised of the outcome of the investigation and the Social Audit Final Report was shared with them.

Based on the outcome of this investigation, Bravado Designs will maintain our business partnership with Classita.

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Ongoing Expectations and Management

Bravado Designs is a medium sized company of approx. 50 employees, of which 6 people are accountable to manage vendor partnerships that cover: quality assurance, bulk production, certification management, vendor relationships, practices, and processes across our complete vendor footprint.

With limited resources and our commitment to meet industry best practices and our robust vendor requirements Bravado Designs has built a compliance program that employs the certification auditing, monitoring and continuous improvement processes via 3<sup>rd</sup> party audit partners.

Through the SAB000 annual audit planning process Bravado Designs is able to create a level of oversight that is appropriate to our size and capabilities; ensuring our vendors are part of these ongoing initiatives and important goals.

ON RECORD

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## 2.0 Buck Wear Responses

1) January 29, 2021: Buck Wear Response to PIN Findings



**Buck Wear Response**

January 29, 2021: Buck Wear Response to PIN Findings at K.N. Lee Knitting Industries Sdn. Bhd.,



**Buck Wear Response to PIN Findings at K.N. Lee Knitting Industries Sdn. Bhd.**  
Questionnaire No. 1

**Contact Information**  
 Date: 1/29/21  
 Name of person submitting this response: [REDACTED]  
 Title: [REDACTED]  
 Email: [REDACTED] Phone: [REDACTED]

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**Completion Deadline: January 29, 2021**

**Overview**  
 As part of Transparentem’s engagement with companies, we are asking you to please respond to a series of questionnaires; this is the first of the series. Your responses will help to inform our eventual public reporting on company efforts related to our investigation of working conditions at K.N. Lee Knitting Industries Sdn. Bhd. We will incorporate and summarize all of your company’s responses into Transparentem’s Consolidated Intelligence Report (CIR).

If your company will be conducting follow-up audits or assessments, please send us a copy of all related reports and plans. Detailed documents are critical for accurately reflecting company efforts, for Transparentem’s ongoing monitoring, and for answering questions from other stakeholders upon disclosure of this work.

If you submit any resources or documents as part of your response to the questions below that you do not want attributed to your company, please clearly mark this material as not for attribution and send it as a separate file. We may use any materials marked this way to inform our reporting on progress, but will not quote from them or attribute them to your company.

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**Section I: Supply Chain Transparency**

1. Can you confirm your company’s past or current supply chain connection to K.N. Lee? Please explain the relationship.

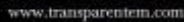
K.N Lee has manufactured product for Buck Wear in 2020- 1%- 2% of our annual volume.

2. To what level of the supply chain does your company publicly disclose its suppliers?

a. Tier One	YES _____	NO _____
b. Authorized Subcontractors	YES _____	NO _____
c. Tier Two	YES _____	NO _____
d. Tier Three	YES _____	NO _____
e. Raw Materials	YES _____	NO _____
f. Other	Please explain: _____	

No disclosure. Please explain: \_\_\_To date, we have not publically disclosed our suppliers. \_\_\_\_\_

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**Section II: Standards, Supplier Policies, and Codes of Conduct**

1. Does your company have policies and a formalized process in place to address environmental, social, and governance risk factors in your supply chain? Please describe the scope and measures that your company takes to address such risks.

Prior to our contact with Transparentem, we relied on 3<sup>rd</sup> party inspections and certifications to address environmental, social, and governance risk factors in our supply chain. We had come to trust the reporting of these agencies and companies and assumed that we were doing our due diligence if we received and reviewed these audit reports.

After contact from Transparentem, and reviewing their findings about factories we may have used in our supply chain, we have concluded that we need to dig deeper and take greater action to ensure our partners are operating ethically. First, we want to define what an appropriate code of conduct SHOULD be for our company. We had what we thought were the basic elements of an appropriate code of conduct, and that these audits covered those factors. However, we did not have an official code of conduct that listed out our expectations prior to our engagement. Furthermore, we have found that Transparentem's "Primary Intelligence Note" conflicts with some of the social audit findings supplied from the audit company. Therefore:

Buck Wear is committed to being a responsible corporate citizen. We are committing to the following:

- 1) Creating an official Code of Conduct for Suppliers- adherence will be required for us to do business with our suppliers. We have created a rough internally (attached) and have contacted outside consultants to help further develop our working document.
- 2) Joined the American Apparel & FootWear Association- to learn more about issues and best practices concerning Supply Chain and our social responsibility.
- 3) We have hired (with other companies that have used K.N. Lee and that Transparentem has connected us with) Veretee to investigate and dig into the allegations in the report, and hopefully negotiate remediation depending on the findings.

Depending upon the finding and the process outcome- we look to this experience and companies like Veretee, Impactt Ltd, or Issara Institute as potential partners for more thorough and reliable analysis of our overseas partners. We are learning that companies that use different information collection, own language interviews or even worker based review & information apps are the needed partners for Buck Wear to ensure ethical Codes of Conduct.

I believe that the paragraphs above should answer all of the the questions below- we are working on a new Code of Conduct and we relied on outside services to ensure/

## II TRANSPARENTEM

2. Does your company maintain a code of conduct for suppliers?
  - a. If yes, please provide these standards to Transparentem.
  - b. In your response, please highlight your company's code of conduct standards governing each of the issue areas identified in Transparentem's report, including:
    - i. recruitment fees and related costs,
    - ii. deceptive recruitment,
    - iii. retention of identity documents,
    - iv. living conditions,
    - v. ensuring workers understand and retain contracts,
    - vi. freedom of association, and
    - vii. grievance mechanisms.
  - c. Are these standards publicly available, and if not, will they be made publicly available?
  - d. If no such code exists, please describe how your company assesses its suppliers' protection of workers' rights.
  
3. Does your company maintain policies governing ethical recruitment practices?
  - a. If yes, please provide these policies to Transparentem.
  - b. Are these policies publicly available, and if not, will they be made publicly available?
  - c. If no such policy exists, please describe how your company assesses its suppliers' recruitment practices.
  
4. Does your company have policies or procedures in place to protect workers who may face the risk of retaliation following a workplace assessment or investigation?
  - a. If yes, please provide these policies or procedures to Transparentem.
  - b. Are these policies or procedures publicly available, and if not, will they be made publicly available?
  - c. If no such policy exists, please describe how your company assesses its suppliers' protection of workers from retaliation.
  
5. Does your company provide an independent grievance channel for workers to contact you directly?
  - a. If yes, please describe how it functions, and how workers are trained or made aware of it.
  - b. If no such channel exists, please describe how your company assures workers are able to report any workplace violations or grievances.
  - c. Please describe any other grievance channels you know of that are available to workers at K.N. Lee, such as those maintained by the facility, or by a third party.
  
6. Do your company's supplier policies include explicit support for workers' freedom of association?
  - a. If yes, please provide this policy to Transparentem.
  - b. Is this policy publicly available, and if not, will it be made publicly available?
  - c. If no such policy exists, please describe how your company assesses its suppliers' protection of workers' freedom of association.

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## II TRANSPARENTEM

7. Does your company have mechanisms in place to control for audit deception by suppliers?
  - a. If yes, please provide these mechanisms to Transparentem as well as your company's procedures if audit deception is found.
  - b. Are these mechanisms and procedures publicly available, and if not, will they be made publicly available?
  - c. If no such policy exists, please describe how your company avoids audit deception.
  
8. Does your company include any or all of the policies cited above as requirements in its purchase agreements with your suppliers, such as with K.N. Lee?
  - a. If so, please describe which ones.
  - b. If not, please explain why not.
  
9. Does your company ensure that any or all of the policies cited above are posted within supplier facilities, including K.N. Lee facilities, in languages all workers understand?
  - a. If so, please describe which policies, and to which tier of the supply chain these policies are communicated.
  - b. If not, please explain why not.

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### Section III: Impact of the COVID-19 Pandemic

1. Please describe your company's understanding of the experience of workers at K.N. Lee during the time of the pandemic, including:
  - a. Whether K.N. Lee paid workers during factory downtime caused by the pandemic, and if so, what evidence K.N. Lee provided.
  - b. Whether K.N. Lee terminated workers and/or placed them on unpaid leave.
  - c. Whether K.N. Lee paid severance and/or provided a travel stipend for workers terminated or sent home during the Covid-19 pandemic.
  - d. For workers remaining in K.N. Lee hostels,
    - i. Whether any health and safety protections are available to them.
    - ii. Whether the facility assumes any responsibility for workers' meals.
  - e. Whether workers at K.N. Lee been reassigned to produce personal protective equipment (PPE) or other medical supplies related to mitigating the spread of COVID-19. If so, what health and safety protections are available to them?
  - f. Any other information you may have about the status of workers at K.N. Lee.
  
2. Has your company engaged with K.N. Lee and/or its owners on expectations relating to any of the above topics?
  - a. If so, please describe the expectations your company shared with K.N. Lee for worker protections during the COVID-19 pandemic.

**II TRANSPARENTEM**

3. Please describe any actions by your company to support worker livelihood during the COVID-19 pandemic, including facility-specific actions, or any broader actions, such as:
  - a. Consistent payment to suppliers for in-process orders,
  - b. Contributions to regional or sectoral funds to supplement worker wages, or
  - c. Other actions designed to support workers during factory shut-downs.
4. Please describe any additional COVID-19 effects on your company's business operations relevant to any follow-up actions on this investigation.

**COVID**

During the COVID-19 pandemic we continued our timely payments and followed thru with all productions orders placed into their factory.

We did not ask for specific plans on how KN Lee was adapting to restrictions.

We shut our company down (fuloughs/reduced staffing/off site workers) for similar amounts of time that KN Lee shut down- it appeared to us that they were back up and functional when we were back up and functional.

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**Section IV: Additional Comments and/or Suggestions**

# 3.0 Hudson's Bay Co. Responses

1) October 8, 2021: Email to Transparentem

**Hudson's Bay Co. Response**

October 8, 2021: Email to Transparentem,

Hudson's Bay Co.



## 4.0 Macy's Responses

1) August 2021: Written Response to Transparency on Behalf of Macy's



## Macy's Response

### August 2021: Written Response to Transparentem on Behalf of Macy's

**Written Response to Transparentem on Behalf of Macy's Merchandising Group, Inc.**

At the outset, Macy's Merchandising Group, Inc. wants to express its appreciation to Transparentem for sharing its Primary Intelligence Note ("PIN") regarding the investigation of Ghim Li Fashion Sdn. Bhd. The issues raised in the PIN are of serious concern to Macy's. As an organization committed to respecting the rights of workers in our supply chain, Macy's Merchandising Group, Inc. requires its suppliers to operate ethically with respect for the human rights of their workers.

While Macy's investigation and response efforts have been impacted by the ongoing pandemic, particularly our resulting organizational changes and the movement control orders ("MCOs") imposed by the Malaysian government, we wanted to share with you the steps taken after receiving the PIN, our preliminary findings, and our follow up actions as of today.

**Macy's Policies**

Macy's current policies regarding product sourcing and human rights can be found on our corporate website at <https://www.macy.sinc.com/sustainability>. For many years, Macy's has worked extensively to hold our supplier partners, including Ghim Li, accountable to these standards.

**Investigation**

As discussed during our calls, upon receiving Transparentem's correspondence, Macy's Merchandising immediately began to review the vendor and the claims referenced. Once it was confirmed that Ghim Li manufactured private label goods for Macy's Merchandising (and that Hudson Bay Company purchased Ghim Li-manufactured private label merchandise from Macy's), Macy's Merchandising reviewed the results of its last audit of Ghim Li which was conducted in September 2020, by Macy's Merchandising's prior independent auditor. That audit did not report the issues identified in Transparentem's PIN. Nonetheless, in December 2020, Macy's Merchandising engaged a new, project-specific independent auditor to carry out an in-depth investigation of the claims contained in the PIN.<sup>1</sup> As part of this investigation, Macy's independent auditor conducted extensive offsite interviews of Ghim Li workers in January 2021, followed by an unannounced audit of the Ghim Li factory in March, 2021<sup>2</sup>.

**Findings and Follow Up**

The attached matrix summarizes key findings from Macy's investigation and sets forth our follow up actions. As part of Macy's follow up, Macy's independent auditor is finalizing a "High Priority Action List" for Ghim Li that Macy's Merchandising and its independent auditor will monitor and evaluate in the months ahead. While each of the issues raised in the PIN will be monitored as part of Macy's future audits, the High Priority Action List will focus particularly on recruitment fee repayment, living conditions, and availability of adequate grievance mechanism(s).

Should Ghim Li fail to comply with the requirements of the High Priority Action List, Macy's Merchandising will decide whether to take adverse action, up to and including suspension of all purchasing from Ghim Li, and blocking of any new business with Ghim Li.

<sup>1</sup> At the time of Transparentem's outreach, Macy's Merchandising was in the midst of soliciting/evaluating proposals from prospective independent auditors, including the independent auditor engaged here, to handle Macy's ongoing audit operations.

<sup>2</sup> Macy's independent auditor's investigation, including the timing of the unannounced audit, was impacted by the ongoing Malaysian MCO.

**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

ISSUE RAISED	PRELIMINARY AUDIT FINDINGS	FOLLOW UP/MONITORING
Recruitment Fees and Recruitment Related Debt	Workers interviewed reported that they paid recruitment fees in their home countries and that they had begun receiving reimbursements from Ghim Li. Macy's independent auditor reported that Ghim Li completed a benchmarking exercise and arrived at a reimbursement rate for their workers. At the time of the independent auditor's investigation, recruitment fee reimbursements were being made in monthly installments.  Macy's independent auditor did not find that Ghim Li workers paid additional recruitment fees upon arrival in Malaysia.	Ghim Li confirmed to Macy's Merchandising that it was reimbursing workers for recruitment fees paid in their home countries. Upon Macy's Merchandising's request to accelerate recruitment fee reimbursement, Ghim Li advised that all outstanding reimbursements payments were made by July 26, 2021.  Macy's Merchandising and its independent auditor will continue to monitor this issue during future audits.
Deceptive Recruitment Practices	Macy's independent auditor did not find evidence of deceptive recruitment practices.	Ghim Li advised that recruiters provide copies of employment contracts to workers in their local language before they leave their home country. When the workers arrive in Malaysia, they sign an identical copy translated in the local Malaysian language for recording and filing purposes.  Macy's is encouraging Ghim Li to create multilingual contracts whereby the contract signed in the home country shows both the local language as well as Malay.  Macy's Merchandising and its independent auditor will continue the documentation process and continue to monitor this issue during future audits.
Abusive Living Conditions	While Macy's independent auditor was not able to verify all of the claims made in the PIN on this point, the independent auditor did find evidence of overcrowding and unsanitary conditions in the then-current dormitories. These issues were set to be resolved with the opening of Ghim Li's new dormitory building (which masks	Ghim Li provided Macy's Merchandising with photographs of the new dormitory (see Attachment A) and confirmed that 356 of its 370 foreign workers have relocated to the new dormitory (approximately 30 minutes from the factory). Ghim Li advised the remaining 14 workers live in other staff lodging (approximately 5 minutes from the factory). Bus transportation is

**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

ISSUE RAISED	PRELIMINARY AUDIT FINDINGS	FOLLOW UP/MONITORING
	Malaysia regulations) which was scheduled to open on April 15, 2021.	provided to workers living in both locations.  Due to recurring lockdowns in Malaysia, Macy's independent auditor has been unable to independently verify the date of the new dormitory opening and the number of workers who have been relocated to the new building.  Macy's Merchandising and its independent auditor will confirm the operation of the new dormitory and will monitor these issues during future audits.
Grievance Mechanism	Macy's independent auditor found Ghim Li workers were able to raise concerns directly with their supervisor/managers and/or through a representative employee who addresses concerns for workers from each home country. While this informal mechanism is common, Macy's Merchandising and its independent auditor have encouraged the factory to take extensive training and engagement of workers to ensure a high trust level in the grievance mechanism.	As a first step to improving the informal process found by Macy's independent auditor, Ghim Li advised they now have an internal email grievance mechanism whereby workers can send emails to a monitored email box. The email box is managed through Ghim Li's centralized Human Resources group. See Attachment B.  Macy's Merchandising is working with Ghim Li to encourage further improvements to the grievance mechanisms made available to workers.  Macy's Merchandising and its independent auditor will continue to monitor this issue during future audits.
Ability to Resign Without Penalty	Macy's independent auditor did not find evidence that workers were charged a fee for ending their employment contracts early. However, there is a high possibility that workers are unclear about this issue.	Ghim Li advised they will pay any resigning worker their recruitment fee reimbursement balance following the worker's resignation.  Also, Ghim Li pledged to better communicate this repayment policy and practices to increase worker awareness and understanding.  Macy's Merchandising and its independent auditor will continue to monitor this issue during future audits.
Compulsory Overtime	Although Macy's independent auditor did not find evidence of	Ghim Li advised that, since the initial lockdown on March 18, 2021, the

**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

ISSUE RAISED	PRELIMINARY AUDIT FINDINGS	FOLLOW UP/MONITORING
	<p>compulsory overtime, the independent auditor did confirm that some workers remained in the factory overnight during the lockdown in Malaysia.</p>	<p>Malaysian government has provided more lead time for MCOs which has allowed factories to prepare accordingly. As a result, Glin Li confirmed that workers are no longer housed in the factory.</p> <p>Macy's Merchandising and its independent auditor will continue to monitor this issue during future audits.</p>
<p>Audit Deception</p>	<p>Macy's independent auditor did not find evidence of worker coaching or audit deception.</p>	<p>Macy's Merchandising and its independent auditor will continue to monitor this issue during future audits.</p>

**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

**Attachment A – New Dormitory Photos**



**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

**Attachment A – New Dormitory Photos (Continued)**



**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

**Attachment A – New Dormitory Photos (Continued)**





**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

**Attachment A – New Dormitory Photos (Continued)**





**Written Response to Transparency on Behalf of Macy's Merchandising Group, Inc.**

**Attachment A – New Dormitory Photos (Continued)**



Written Response to Transparency on Behalf of Macv's Merchandising Group, Inc.

Attachment B – E-Mail Grievance Mechanism




## **5.0 K.N. Lee Collaborative Group (Buck Wear, Centric Brands, H. Best and Under Armour) Responses**

1) May 3, 2021: K. N. Lee Collaborative Group Response to PIN Findings

## K.N. Lee Collaborative Group Response

May 3, 2021: Centric Brands, The Moret Group, Buck Wear & Under Armour  
Joint Response to PIN Findings at K.N. Lee Knitting Industries Sdn. Bhd.


**TRANSPARENTEM**

**Centric Brands, The Moret Group, Buck Wear & Under Armour  
Joint Response to PIN Findings at  
K.N. Lee Knitting Industries Sdn. Bhd.  
Questionnaire No. 2**

NOTE: This is a joint response from authorized representatives of Centric Brands, The Moret Group, Buck Wear, and Under Armour concerning due diligence at K.N. Lee Knitting Industries Sdn. Bhd. (KN Lee) following receipt of Transparentem's PIN. All responses are collective and apply to each collaborating company unless otherwise noted.

**Contact Information:**

**Date:** May 3, 2021

**By:** Centric Brands, The Moret Group, Buck Wear, and Under Armour

**Email:** (Centric Brands) [REDACTED]; (Buck Wear) [REDACTED]; (The Moret Group) [REDACTED]; (Under Armour) [REDACTED]

**Phone:** (Centric Brands) [REDACTED]; (Buck Wear) [REDACTED]; (The Moret Group) [REDACTED]; (Under Armour) [REDACTED]

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**Completion Deadline: May 3, 2021**

**Overview**

As part of Transparentem's engagement with companies on the findings of our investigation of working conditions at several garment factories in Malaysia, we are asking you to please respond to a series of questionnaires; this is the second of the series. Your responses will help to inform our eventual public reporting on company efforts taken in response to our findings at K.N. Lee Knitting Industries Sdn. Bhd. We will incorporate your company's responses into Transparentem's Consolidated Intelligence Report (CIR).

If your company will be conducting follow-up audits or assessments as part of your efforts, please send us a copy of all related reports and plans. Detailed documents are critical for accurately reflecting company efforts, for Transparentem's ongoing monitoring, and for answering questions from other stakeholders upon disclosure of this work.

If you submit any resources or documents as part of your response to the questions below that you do not want attributed to your company, please clearly mark this material as not for attribution and send it as a separate file. We may use any materials marked this way to inform our reporting on progress, but will not quote from them or attribute them to your company.

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**Section I: Corrective Action and Workplace Improvement**

1. **Corrective Action Process:** What is your company's policy for correcting violations of the company's code of conduct or other reported social compliance issues? Please describe the scope of your company's standard procedures for accomplishing remediation.

(Centric Brands) All Centric Brands suppliers must acknowledge our Global Supplier Principles and associated compliance policies as a condition of business, both prior to the start of production and on an annual basis. All suppliers are regularly monitored for compliance with these requirements and others via third-party compliance assessments. We partner with suppliers to address any instances of non-compliance identified in this process.

(The Moret Group) CAP must be submitted within 10 days of receiving audit report and goes thru desktop assessments. All fire safety violations must be resolved within 30 days and Red Zero Violations must be corrected within 7 days. We track remediation closely and conduct follow up assessments as needed.

(Buck Wear) All Buck Wear suppliers must acknowledge and adhere to our Social Compliance Policy guidelines as a condition of doing business. All suppliers are regularly monitored for compliance via third-party compliance assessments. Buck Wear will partner with suppliers to address any instances of non-compliance identified in this process.

(Under Armour) Please refer to company-specific responses provided separately.

2. Has your company assessed conditions at K.N. Lee units as a result of Transparentem's investigation, either individually or as part of a collaborative group?

Yes

If no, please explain. If yes:

- a. Did other companies participate and/or contribute to the assessment?

Yes

If so, please list the members of the collaborative group and describe their roles.

Centric Brands, The Moret Group, Buck Wear, and Under Armour

All members of the collaborative group contributed to the development of due diligence following receipt of Transparentem's PIN.

- b. Who conducted the assessment or audit?

Verité

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i. How was the assessor commissioned?

Direct outreach based on prior engagement

c. Over what time period did the assessment or audit take place?

February 4 - 5, 2021

i. At what time(s) of day did assessors visit the facility?

The assessment was conducted remotely over the course of two days due to COVID-19 restrictions.

d. Was the visit announced or unannounced?

Announced

i. If the visit was announced, please describe the notice provided, including time-frame, and who was notified.

KN Lee management was informed in December 2020 of the collaborative group's due diligence plans.

ii. If the visit was unannounced, please define what this means for your company, and describe any delays or issues encountered with factory access.

N/A

e. Please describe the methodology for conducting worker interviews, including:

i. At what location(s) did assessors conduct interviews?

Private interview spaces within the factory

ii. Examples could include, but are not limited to, in the factory, in hostels, and off factory grounds.

See above

iii. Were interviews conducted in workers' native languages?

Yes

iv. What was the typical duration of a worker interview?

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30 - 45 minutes

**v. How many workers were interviewed and what percentage of the applicable workforce did they comprise?**

Verité interviewed a total of 60 (21 male, 39 female) foreign contract workers (FCW) representing 27% of total FCW and 20% of KN Lee's total workforce. KN Lee employs all FCW directly.

**vi. How were the interviewed workers selected?**

Verité sampled FCW from each nationality represented at KN Lee, considering factors such as hire date, gender, and job function.

**vii. Were workers interviewed individually or in groups?**

Both individually and in groups

**viii. What was the percentage of female to male workers interviewed?**

Female: 39 (65%); male: 21 (35%)

**f. Please describe the scope of the assessment, including:**

Assessment scope included supplier and labor agent policies, procedures, and practices applicable to all FCW:

- Recruitment, selection, and hiring
  - How migrant workers are hired and brought to the site
  - Recruitment and hiring in both sending and receiving countries
  - Recruitment fees and costs
  - Transparency into the labor supply chain
- Recommendations on problems or risks
- Contractual and commercial relationships with labor agents
- Employment contracts and arrangements
  - Pre-departure processes, briefings, etc.
  - Post-arrival orientation
  - Compensation and benefits
- On-site management (including grievance procedures, wages, working hours, freedom of movement, freedom of association, pay practices, and benefits, among others)

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- Involvement of labor agents in worker management
- Contract termination and repatriation
- COVID-19 concerns (such as hostel management)

**i. Did the assessment cover worker living spaces, and if so, which ones?**

Yes, all worker living spaces were included in the assessment.

**ii. Did the assessment cover more than one unit within the facility (if applicable), and if so, which ones?**

N/A

**iii. Did the assessment target specific issues raised by this investigation, or provide a comprehensive assessment of factory conditions? Please explain.**

KN Lee was assessed by Verité in 2019 on similar topics in an independent engagement by Centric Brands and Under Armour. Verité's 2021 assessment focused on corrective actions and/or new findings since the 2019 engagement, with attention to Transparentem's observations and new challenges posed by COVID-19.

**g. Please describe the level of involvement of the following groups in the assessment process and how they were selected:**

**i. Malaysian workers**

N/A

**ii. Migrant workers (from which countries?)**

Nepal, Myanmar, Cambodia, Indonesia, Bangladesh, and Vietnam

**iii. Workers residing in company-controlled hostels**

Included

**iv. Worker representatives**

N/A

**v. Labor-rights experts and NGOs, and**

N/A





## vi. Independent translators (as needed)

N/A

## h. Please describe the documents reviewed by assessors, and the origin of these documents.

Review of documents provided by management included, but was not limited to:

- Payroll documents
- Wage & hours records
- Worker Contracts
- Labor agency service agreements
- Offer letters
- Employee handbook
- Policies related to FCW recruitment and management

## i. Please describe any mechanisms in place to control for audit deception; audit deception examples include but are not limited to: falsifying records, coaching workers to lie to auditors, hiding underage or undocumented workers, or providing necessary safety equipment only in the presence of auditors.

Verité follows industry-standard procedures for triangulation of audit datapoints.

## j. Please describe any mechanisms provided for workers to follow up with your company after the audit, and any issues reported via this mechanism.

N/A

3. Access to Remedy (excessive recruitment fees and recruitment-related debt): Did the assessment find evidence of workers paying their own recruitment fees and related costs, whether in their home country or to the factory? If yes:

Yes

## a. Please describe any findings, including information about the types, amounts, and recipients of the payments.

KN Lee has already begun reimbursement of recruitment fees to current workers. Workers who resigned were also reimbursed. However, KN Lee continues to lack sufficient oversight of recruitment agencies, as evidenced by two workers who reported having been coached by sending country agents not to reveal payment of recruitment fees.

Five workers hired under the Malaysian government's REHIRE program reported having to pay MYR 6,000 for legalizing their status and obtaining work permits. One

## II TRANSPARENTEM

worker noted he had paid MYR 6,000, but that MYR 3,500 would be returned to him by KN Lee. Four workers involved in this program mentioned they had paid MYR 3,500 with the remainder paid by KN Lee.

Although KN Lee covers return airfare for workers who have successfully completed their contracts, the facility does not cover other repatriation costs for workers who have completed their contracts, such as airport taxes or accommodation costs, if applicable. In addition, management reported that during the pandemic, workers who had completed their contracts paid for their own COVID-19 tests prior to departure.

According to KN Lee management, workers are free to pre-terminate their contracts if they provide prior notice of at least one month. If a worker chooses to pre-terminate their contract, they will need to reimburse the facility for its advance payment on the levy for the months remaining of the year in which the worker resigned. Any worker who is pre-terminating their contract will also need to pay for their own return airfare and COVID-19 test prior to departure.

The policy and procedure for voluntary pre-termination of employment contracts is not clear to the workers. However, workers are aware that if they choose to pre-terminate their contract, they will have to pay a fine and cover the cost of transportation to their home country.

- b. Did/will your company collaborate with K.N. Lee to ensure that migrant workers are fully compensated for their recruitment fees and related costs? If so, please explain the repayment mechanism, including:

Yes

- i. How the amount owed to workers will be calculated

Fee reimbursement totals were calculated following KN Lee's engagement with Verité in 2019.

- ii. Over what time period the reimbursements will occur

2021

- iii. How the effort will be communicated to workers

KN Lee management communicated the plan directly with workers.

- c. If partial repayments were underway at the time of the assessment, did assessors find any contradictions between what workers were told they would receive and their reimbursement amounts?

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KN Lee has already begun reimbursement of recruitment fees to current workers. Workers who resigned were also reimbursed. However, KN Lee continues to lack sufficient oversight of recruitment agencies, as evidenced by two workers who reported having been coached by sending country agents not to reveal payment of recruitment fees.

- d. How will your company ensure that K.N. Lee workers are protected from paying recruitment fees and related costs going forward?

Ongoing compliance monitoring

4. Access to Remedy (deceptive recruitment): Did the assessment find evidence of deception during the recruitment process? If yes:

KN Lee has already begun reimbursement of recruitment fees to current workers. Workers who resigned were also reimbursed. However, KN Lee continues to lack sufficient oversight of recruitment agencies, as evidenced by two workers who reported having been coached by sending country agents not to reveal payment of recruitment fees.

- a. Please describe any findings.

See above

- b. Did/will your company collaborate with K.N. Lee to ensure that migrant workers are reimbursed if their net earnings did not match what was described during the recruitment process? If so, please explain the repayment mechanism, including how the amount owed to workers will be calculated.

As part of remediation, KN Lee is required to:

- \* Review current recruitment fee reimbursement plan to ensure it accurately reflects amounts by nationality. While averages or medians are generally acceptable to reduce reimbursement plan complexity, it is unclear how the higher amounts reportedly paid by Nepalese and Vietnamese workers are reflected in KN Lee's reimbursement allocation (especially for Vietnamese workers, who reported fee amounts in 2019 to Verité well above the amount they are expected to receive this year).
- \* Ensure it is following the RBA's and FLA's definition of recruitment fees and that all fee items are addressed and included in reimbursement amounts, such that workers receive adequate reimbursement if they migrated through a corridor with higher costs than others. This should also ensure workers under the REHIRE program have all their costs fully covered. For example, according to the RBA definition of fees, costs currently not being shouldered by KN Lee are:

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- o In-transit lodging costs after the employment offer has been made and accepted
- o Return transportation to the worker's habitual place of residence in country of origin at the end of employment
- o Fees or related costs associated with regularizing Undocumented Migrant Workers for the purposes of employment through government authorized channels (e.g., REHIRE Program)

Given the relatively new nature of many of KN Lee's policies and procedures relative to the ban on migration to Malaysia amidst COVID-19, KN Lee has had limited opportunity to eliminate the risk of recruitment fees. Other gaps identified, such as with the lack of service agreement protections with the recruiting agent and insufficient due diligence and oversight procedures, point to continuation of risk to KN Lee in this area. Furthermore, the reports related to coaching of workers on recruitment fees show that continued efforts are required to mitigate fee related issues.

- c. How will your company support an ethical recruitment process at K.N. Lee that ensures that workers receive:

- i. Access to clear contracts in their own language
- ii. Adequate time to review contracts prior to employment
- iii. Accurate descriptions of the working and living conditions

As part of remediation, KN Lee is required to ensure worker contracts are clear, comprehensive, available in the workers' native language, and provided for review reasonably in advance of departure.

5. Access to Remedy (retention of identity documents): Did the assessment find evidence of identity documents being withheld by factory management or a recruiter, or any evidence of deposits required for passport access? If yes:

Yes

- a. Please describe any findings.

KN Lee management reported lockers are provided to workers for safekeeping of their identity documents (passports and work permits). However, these lockers are located in a room where a guard controls access, meaning that workers cannot access their personal identity documents independently.

- b. Did/will your company collaborate with K.N. Lee to return identity documents to workers? If so, please describe your process.

As part of remediation, KN Lee is required to ensure workers can safely retain their identity documents. Workers must be provided with individual safe storage to which

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they have exclusive access. Workers must be able to access their identity documents at any time without having to work through KN Lee management.

- c. How will your company ensure that K.N. Lee workers retain their identity documents going forward, and that workers living in dorms have safe places to keep those documents?

See above

6. **Access to Remedy (inadequate living conditions):** Did the assessment find evidence of inadequate living conditions at K.N. Lee, including over-crowding in dormitories? If yes:

Yes

- a. Please describe any findings.

- \* Certificate of Accommodation not available for all housing facilities
- \* Some rooms do not meet minimum per-occupant space requirements
- \* Hostel fire alarms not installed, except in No. 18 Jalan Kampong
- \* Routine hostel safety inspections not conducted as required by law
- \* Temperature checks not conducted when entering dormitory

- b. Did/will your company collaborate with K.N. Lee to remediate inadequate living conditions in the dormitories? If so, please describe your process.

Yes. As part of remediation, KN Lee is required to:

- \* Conduct a documented review of all FCW rooms and make necessary adjustments to meet legal requirements
- \* Take immediate steps to obtain a Certificate of Accommodation for all locations that house FCW and submit a copy to the collaborative group
- \* Immediately install smoke and fire alarms in ALL worker accommodations and submit supporting documentation to the collaborative group
- \* Assign a staff member to be responsible for conducting routine safety inspections of all worker accommodations, including temperature checks
- \* Consider implementing temperature checks for all workers upon arrival at the dormitory




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- c. How will your company protect K.N. Lee workers from inadequate living conditions going forward?

Ongoing compliance monitoring

7. ***Access to Remedy (freedom of association)***: Did the assessment find evidence of workers' freedom of association being restricted by factory management? If yes:

Yes

- a. Please describe any findings.

Although KN Lee has a freedom of association policy, the demand letter and worker contract contain restrictions to freedom of association and participation in collective industrial action.

- b. How will your company protect freedom of association for K.N. Lee workers in the near-term and going forward?

As part of remediation, KN Lee is required to:

- Modify the demand letter and worker contract template to eliminate any restrictions on freedom of association or participation in collective industrial action
- Ensure orientation materials include appropriately translated information on rights to freedom of association to ensure all workers understand KN Lee's commitment

8. ***Access to Remedy (grievance mechanisms)***: Did the assessment find effective grievance mechanisms available to workers at K.N. Lee?

Grievance procedures and disciplinary policies and procedures are still in development.

- a. If yes, please describe how they function and how workers are trained or made aware of them.

- i. Please explain whether workers have the option of contacting your company or a third party, in addition to any grievance mechanisms operated by the factory.

Grievance procedures and disciplinary policies and procedures are still in development. As part of remediation, KN Lee is required to:

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- \* Establish formal, written grievance procedures for FCW. The grievance system should protect workers' privacy and anonymity, protect against possible retribution, and allow workers to report a grievance against a supervisor to someone other than that supervisor. To be effective, grievance procedures should include written steps for tracking grievances and responses, clear timelines for management follow-up, and a process for reporting outcomes to workers, including those who submitted grievances anonymously. These grievance procedures should be communicated to all workers, supervisors, and managers through trainings and written material.
- \* Ensure information on KN Lee's grievance policies and procedures is included in the FCW onboarding orientation. This orientation should be provided in a language that FCW understand, which will likely require the use of a professional translation provider to ensure accuracy.
- \* Grievance procedures should include written steps for tracking grievances and responses, as well as clear timelines with the number of days that workers may expect to wait to hear a response from management and see action.
- \* Suggestion boxes and other anonymous grievance mechanism options should be placed in locations out of easy view of management and supervisors. They should also contain written instructions on their use in languages understood by workers. Information should include the general timeframe and channel through which management will issue responses to anonymously filed grievances.

ii. Please describe any recent uses of a company or third-party grievance mechanisms by K.N. Lee workers, including a description of how any complaints were resolved.

N/A

b. If no such channels exist, please describe how your company will ensure workers are able to report any workplace violations or grievances at K.N. Lee.

Grievance procedures and disciplinary policies and procedures are still in development. As part of remediation, KN Lee is required to:

- \* Establish formal, written grievance procedures for FCW. The grievance system should protect workers' privacy and anonymity, protect against possible retribution, and allow workers to report a grievance against a supervisor to someone other than that supervisor. To be effective, grievance procedures

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should include written steps for tracking grievances and responses, clear timelines for management follow-up, and a process for reporting outcomes to workers, including those who submitted grievances anonymously. These grievance procedures should be communicated to all workers, supervisors, and managers through trainings and written material.

- Ensure information on KN Lee's grievance policies and procedures is included in the FCW onboarding orientation. This orientation should be provided in a language that FCW understand, which will likely require the use of a professional translation provider to ensure accuracy.
- Grievance procedures should include written steps for tracking grievances and responses, as well as clear timelines with the number of days that workers may expect to wait to hear a response from management and see action.
- Suggestion boxes, and other anonymous grievance mechanism options, should be placed in locations out of easy view of management and supervisors. They should also contain written instructions on their use in languages understood by workers. Information should include the general timeframe and channel through which management will issue responses to anonymously filed grievances.

9. Did the assessment uncover either of the following? If so, please describe any findings.

No

a. Non-compliance issues beyond those already noted in this questionnaire

N/A

i. How will your company address these issues?

N/A

b. Contradictions of the findings reported in Transparentem's report

N/A

10. Was a corrective action plan produced to address any findings from the assessment?

Yes

a. If yes, please describe how the contents of the corrective action plan were assessed and determined.




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A corrective action plan was developed to reflect progress from the 2019 Verité assessment and address concerns identified in Transparentem's PIN.

**b. If no, please explain.**

N/A

**11. While developing a corrective action plan, if applicable, was any root cause analysis conducted on the findings with K.N. Lee? If so, please describe your analysis.**

See below

**a. How has this analysis shaped the objectives and performance indicators included in the corrective action plan?**

Root causes were determined through SCAT (Systematic Cause Analysis Technique), "5 Whys," or related methodologies, which consequently determined the appropriate sustainable corrective action.

**12. Verification and Ongoing Monitoring: How does your company plan to monitor compliance with the corrective action plan?**

Ongoing compliance monitoring

**a. Please provide verification specifics to Transparentem including key milestones, responsible parties, funding source, and deadlines for each corrective action item.**

KN Lee is required to address remediation within 30 - 45 days for short-term expectations and throughout 2021 for longer-term expectations.

**13. Please provide Transparentem with a copy of the audit or assessment results and corrective action plan, if available.**

See attached

**14. Had your company conducted an assessment of conditions at K.N. Lee prior to receiving Transparentem's investigation findings?**

Yes

**a. If yes, please describe any findings.**

- \* KN Lee's policy on anti-forced labor and trafficking lacks pertinent provisions, and procedures do not adequately screen out risks of non-conformance to the standards and requirements.

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UPDATE (2021): KN Lee has designed a general policy on forced labor in the recently developed Code of Conduct. KN Lee has already begun reimbursement of recruitment fees to current workers. Workers who resigned were also reimbursed. KN Lee has hired personnel dedicated to implement forced labor requirements; however, the procedures must still be operationalized.

- There are gaps in the anti-harassment and abuse policy and procedures.

UPDATE (2021): All FCW interviewed reported a generally positive working environment. None of the interviewed workers reported experiencing harassment or abuse. However, the facility has a newly developed sexual harassment policy that has not yet been communicated to workers or supervisors. In addition, managers and workers have not been trained on how to prevent harassment in the workplace and how to investigate complaints.

- b. If no, please explain.

N/A

Can you describe any connection between past work with Honsin Apparel and other buyers to reimburse recruitment fees and improve conditions for workers in response to a previous Transparentem investigation, and the current work at K.N. Lee to remediate similar conditions?

KN Lee due diligence is modeled on Honsin due diligence following Transparentem's investigation.

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### Section II: COVID-19 Impact

1. Did the assessment cover conditions related to the COVID-19 pandemic and the factory's response to the Malaysian government movement control orders (MCOs)? Please explain.

Yes, COVID-19 safety and well-being were included in the assessment scope.

2. *Access to Remedy (wages)*: Did the assessment find evidence that K.N. Lee did not pay legally mandated wages during the Malaysian government's MCO? If yes:

See below

- a. Please describe any findings.

During the Malaysian government's Movement Control Order, KN Lee workers signed a document agreeing to go on unpaid leave; however, workers reported they were actually paid 50% of their salaries (MYR 600) in April 2021.


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- b. Did/will your company collaborate with K.N. Lee to ensure workers are reimbursed for lost wages? If so, please describe the process.

N/A

- c. How will your company ensure K.N. Lee workers are paid properly during the current lockdown, as well as government or factory lockdowns going forward?

Ongoing compliance monitoring

3. *Access to Remedy (safety conditions)*: Did the assessment find evidence that K.N. Lee did not provide adequate responses to the COVID-19 pandemic, including social distancing in dormitories and factories? If yes:

See below

- a. Please describe any findings.

No risk assessment is conducted to identify vulnerable workers related to COVID-19 and provide specialized support (e. g., masks).

- b. Did/will your company collaborate with K.N. Lee to ensure social distancing and other safety precautions are practiced in dormitories and factories?

Yes

- c. If so, please describe the process.

Yes. As part of remediation, KN Lee is required to:

- \* Conduct a documented review of all FCW rooms and make necessary adjustments to meet legal requirements
- \* Take immediate steps to obtain a Certificate of Accommodation for all locations that house FCW and submit a copy to the collaborative group
- \* Immediately install smoke and fire alarms in ALL worker accommodations and submit supporting documentation to the collaborative group
- \* Assign a staff member to be responsible for conducting routine safety inspections of all worker accommodations, including temperature checks
- \* Consider implementing temperature checks for all workers upon arrival at the dormitory

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d. How will your company ensure adequate COVID-19 precautions and support for K.N. Lee workers going forward?

Ongoing compliance monitoring

4. Did the assessment find evidence that K.N. Lee provided food assistance to workers during factory closures?

Yes. KN Lee provided free food to workers for the duration of the shutdown.

a. Was K.N. Lee's food support for workers sufficient to meet workers' needs, and if not, will your company be taking any follow-up action?

Yes

5. How has the global COVID-19 pandemic affected verification and remediation of findings from Transparentem's report and/or the follow-up assessment at K.N. Lee?

Remediation is underway and has not yet been verified.

6. Has your company canceled or reduced the prices paid for current orders or suspended new orders from K.N. Lee as a result of the COVID-19 pandemic?

(Centric Brands) Due to confidentiality agreements, we are not able to comment on order volume or placement activity.

(The Moret Group) No

(Buck Wear) No

(Under Armour) Please refer to company-specific responses provided separately.

a. If so, please describe the number and volume of orders canceled, and explain whether your company has been able to pay K.N. Lee for materials or partially completed work.

(Centric Brands) Due to confidentiality agreements, we are not able to comment on order volume or placement activity.

(The Moret Group) N/A

(Buck Wear) N/A

(Under Armour) Please refer to company-specific responses provided separately.



**Section III: Follow-up to Transparentem's Investigation**

1. Has your company made any changes to its policies and procedures as a result of the findings provided by Transparentem and the subsequent interaction with Transparentem on this investigation?

See below

2. If so, please explain these changes. Examples could include:

- a. Revisions to company policies, such as the code of conduct,
- b. Enhancements to any labor-rights requirements included as part of company purchasing agreements,
- c. Adjustments to standard audit procedures, such as requiring unannounced visits,
- d. Expansion of the scope of standard tier-one audits,
- e. Expanded transparency or traceability efforts,
- f. Adjustments to any purchasing practices,
- g. Other

(Centric Brands) Independent of Transparentem's investigation, Centric Brands became a signatory to the AAFA/FLA Commitment to Responsible Recruitment in 2020 and established a supplier Migrant Worker Policy.

(The Moret Group) We have added responsible recruitment/hiring practice policy to our COC.

(Buck Wear) Buck Wear has created a comprehensive Social Compliance Policy.

(Under Armour) Please refer to company-specific responses provided separately.

3. Has your company investigated similar issues within other facilities in Malaysia or elsewhere as a result of engagement with Transparentem on this project?

(Centric Brands) No

(The Moret Group) No

(Buck Wear) No

(Under Armour) Please refer to company-specific responses provided separately.

4. If so, please describe your investigations and findings.

(Centric Brands) N/A

(The Moret Group) N/A

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(Buck Wear) N/A

(Under Armour) Please refer to company-specific responses provided separately.

a. As a result, has your company extended any remedial efforts to these other facilities?

(Centric Brands) N/A

(The Moret Group) N/A

(Buck Wear) N/A

(Under Armour) Please refer to company-specific responses provided separately.

5. Beyond factory-level root cause analysis as referenced above, has your company conducted any root cause analysis related to the effect of its purchasing practices on K.N. Lee?

(Centric Brands) No

(The Moret Group) No

(Buck Wear) No

(Under Armour) Please refer to company-specific responses provided separately.

6. If so, please describe your analysis.

(Centric Brands) N/A

(The Moret Group) N/A

(Buck Wear) N/A

(Under Armour) Please refer to company-specific responses provided separately.

a. What steps has your company taken to address such root causes?

(Centric Brands) N/A

(The Moret Group) N/A

(Buck Wear) N/A

(Under Armour) Please refer to company-specific responses provided separately.



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**Section IV: Collaboration and Advocacy**

1. Does your company plan to collaborate with any of the below groups on initiatives to improve the experience of migrant workers in Malaysia as a result of this project?

(Centric Brands) See above

(The Moret Group) No

(Buck Wear) No

(Under Armour) Please refer to company-specific responses provided separately.

- a. If so, please describe the planned initiative(s) and explain how the initiative(s) will address the forced labor indicators outlined in Transparentem's PIN:
- i. Unions,
  - ii. Other Civil Society Organizations
  - iii. Suppliers
  - iv. Industry Associations
  - v. Government of Malaysia
  - vi. Other groups

(Centric Brands) See above

(The Moret Group) N/A

(Buck Wear) N/A

(Under Armour) Please refer to company-specific responses provided separately.

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**Section V: Additional Comments and/or Suggestions**


# 6.0 Under Armour Responses

1) May 3, 2021: Under Armour Response to PIN Findings



## Under Armour Response

May 3, 2021: Under Armour Response to PIN Findings at K.N. Lee Knitting Industries Sdn. Bhd., Questionnaire No. 2



**TRANSPARENTEM**

Under Armour Response to PIN Findings at  
K.N. Lee Knitting Industries Sdn. Bhd.  
Questionnaire No. 2

**Contact Information**  
 Date: May 3, 2021  
 Name of person submitting this response: [REDACTED]  
 Title: [REDACTED]  
 Email: [REDACTED] Phone: [REDACTED]

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**Completion Deadline: Tuesday, May 4, 2021**

**Overview**  
 As part of Transparentem's engagement with companies on the findings of our investigation of working conditions at several garment factories in Malaysia, we are asking you to please respond to a series of questionnaires; this is the second of the series. Your responses will help to inform our eventual public reporting on company efforts taken in response to our findings at K.N. Lee Knitting Industries Sdn. Bhd. We will incorporate your company's responses into Transparentem's Consolidated Intelligence Report (CIR).

If your company will be conducting follow-up audits or assessments as part of your efforts, please send us a copy of all related reports and plans. Detailed documents are critical for accurately reflecting company efforts, for Transparentem's ongoing monitoring, and for answering questions from other stakeholders upon disclosure of this work.

If you submit any resources or documents as part of your response to the questions below that you do not want attributed to your company, please clearly mark this material as not for attribution and send it as a separate file. We may use any materials marked this way to inform our reporting on progress, but will not quote from them or attribute them to your company.

---

**Section I: Corrective Action and Workplace Improvement**

1. Corrective Action Process What is your company's policy for correcting violations of the company's code of conduct or other reported social compliance issues? Please describe the scope of your company's standard procedures for accomplishing remediation.  
 Vendor/Suppliers are assessed including for compliance with applicable local laws, the [Under Armour Supplier Code](#) ("UA Code"), the [Fair Labor Association Workplace Code and Benchmarks](#) ("FLA Code"), and the [Dhaka Principles](#) (if migrant workers are present), by mostly third-party FLA accredited assessment firms or lead assessors. Those assessments may be semi-announced or unannounced which may include consultation with local labor non-governmental organizations and sometimes union federations and its leaders as feasible or as applicable. Starting in 2018, we also introduced focused migrant worker assessments of suppliers in high-risk sourcing locations. Suppliers are expected to remediate issues raised during assessments or verifications/follow up visits. They are also expected to submit timelines

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and plans for how they propose to continuously improve conditions and work toward achieving sustainable compliance during the course of their business relationship with UA.

Upon assessment completion, assessment firms give Initial Management Action Plans (IMAP) to factory management as part of a closing meeting with supplier management during which the assessors and management discuss assessment findings. After we receive the assessment reports, our Sustainability team subsequently prepares Management Action Plans (MAP) to fine-tune them and, in some cases, to broaden the steps and/or measures that we expect suppliers to take to address issues raised by the assessments or to improve their sustainability performance. The MAP also may include country-specific requirements based upon human rights due diligence work, as well as requests for actions aimed at building UA Supplier and FLA Code awareness. Such actions may include requiring management to conduct periodic training sessions on the Codes' standards and benchmarks for workers, supervisors, and other employees in managerial positions.

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### Section II: COVID-19 Impact

6. Has your company canceled or reduced the prices paid for current orders or suspended new orders from K.N. Lee as a result of the COVID-19 pandemic?

Please note that K.N. Lee Knitting is currently an active supplier to Under Armour's licensee, Global Brands Group/KHQ (GBG/KHQ), and makes licensed products for Global Brands Group/KHQ.

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### Section III: Follow-up to Transparentem's Investigation

1. Has your company made any changes to its policies and procedures as a result of the findings provided by Transparentem and the subsequent interaction with Transparentem on this investigation? If so, please explain these changes. Examples could include:

- Revisions to company policies, such as the code of conduct,
- Enhancements to any labor rights requirements included as part of company purchasing agreements,
- Adjustments to standard audit procedures, such as requiring unannounced visits,
- Expansion of the scope of standard tier-one audits,
- Expanded transparency or traceability efforts,
- Adjustments to any purchasing practices,
- Other

We are, and remain, committed to improving continuously both our assessment program, human rights and other due diligence and sustainable remediation of issues or findings including those related to mitigating risks of modern slavery in our supply chain. Based on Under Armour's previous engagements with vendors and facilities with migrant workers and engagements and trainings cultivated from extensive work with migrant labor experts around the world, we have:

- In October 2019, and again in 2020 we engaged with our entire supply chain regarding the Forced Labor provision of our [Supplier Code of Conduct](#), including via a communication that came from our Chief Supply Chain officer.
- In 2020, building on the pre-existing requirements that suppliers comply with the [Dhaka Principles](#), UA drafted an enhanced Migrant Labor Policy with supporting

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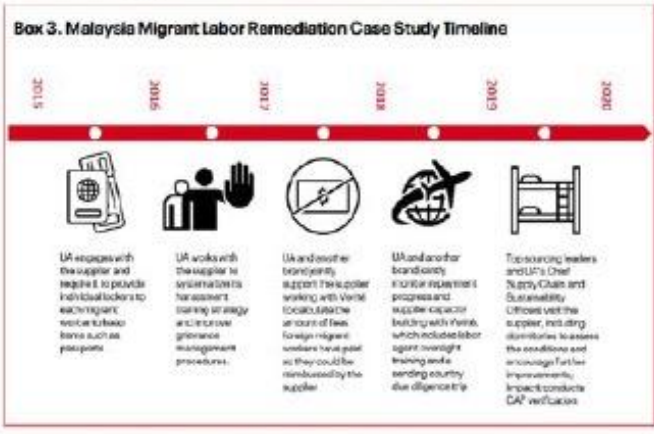
standards (MWPS), which was reviewed by external third-party experts, including [Verite, The Mekong Club, and Impact](#). The MWPS addresses requirements employees and suppliers need to meet to ensure the protection and equitable treatment of migrant workers across the worker life cycle, covering responsible recruitment and the prohibition of free/reduced labor cost programs amongst other topics. Earlier this year, we sent our MWPS to all vendors/suppliers, including K.N. Lee Knitting, noting that they must abide by the policy and standards outlined.

- As part of our Responsible Sourcing strategy and commitment to operational excellence, we formalized and deployed a **Responsible Sourcing Policy ("RSP")** in 2018. This policy supports our commitment, as a [Fair Labor Association \("FLA"\) Accredited Company](#), to the [FLA Principles of Fair Labor and Responsible Sourcing](#). Our RSP's elements include the complexities of UA's supply chain, financial and contractual terms, balanced planning, accountability, training, communication, and review. Related implementation and training, periodic review and enhancements are ongoing.
- The overwhelming majority of our products are built by independent third-party manufacturers. They work directly with us as our business partners, or indirectly, through UA licensees or an agent. They, too, work to build, and as we say here at UA, seek to protect their houses. Together with these businesses and those who work for them, our supplier teammates, we strive to work together as a single global team. See our public supply chain disclosure list [here](#).

2. Has your company investigated similar issues within other facilities in Malaysia or elsewhere as a result of engagement with Transparentem on this project? If so, please describe your investigations and findings.

As a result, has your company extended any remedial efforts to these other facilities?

At this time, we have not completed any investigations at other facilities as a direct result of Transparentem's engagement around K.N. Lee Knitting. However, UA is committed to improve the systems we have in place to identify and address human rights risks and at the same time continue supporting suppliers' capacity building on modern slavery with certain facilities in Malaysia. In one case, we have continued to work with a facility in Malaysia to help improve their treatment of migrant workers. In another case, Under Armour was notified of migrant workers paying recruitment fees in another facility in Malaysia. Together with another brand in the facility, we engaged Verite to evaluate allegations received from stakeholders and conduct an on-site assessment of the facility that included interviews with management personnel, foreign contract workers and representatives of the Malaysian labor agent that facilitated the employment of foreign workers in the facility. Please see our annual [Modern Slavery Statement](#) for more details. Below is a snippet from our annual Modern Slavery Statement that details this gradual and progressing work.



3. Beyond factory-level root cause analysis as referenced above, has your company conducted any root cause analysis related to the effect of its purchasing practices on K.N. Lee? If so, please describe your analysis.

- What steps has your company taken to address such root causes?

K.N. Lee Knitting is currently an active supplier to Under Armour's licensee, Global Brands Group/KHQ (GBG/KHQ) and makes licensed products for Global Brands Group/KHQ.

**Section IV: Collaboration and Advocacy**

- I. Does your company plan to collaborate with any of the below groups on initiatives to improve the experience of migrant workers in Malaysia as a result of this project?
  - a. If so, please describe the planned initiative(s) and explain how the initiative(s) will address the forced labor indicators outlined in Transparentem's PIN:
    - i. Unions
    - ii. Other Civil Society Organizations
    - iii. Suppliers
    - iv. Industry Associations
    - v. Government of Malaysia
    - vi. Other groups

In 2018, UA became a signatory of the [AAFA/FLA Apparel and Footwear Industry Commitment to Responsible Recruitment](#) in 2018. This builds upon our prior requirement

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that suppliers comply with the Institute for Human Rights and Business' [Dhaka Principles for Migration with Dignity \(Dhaka Principles\)](#) and relevant provisions of the [UA Supplier Code of Conduct](#) and the [FLA Workplace Code of Conduct and Compliance Benchmarks](#).

In February 2019, UA attended the [OECD Forum on Due Diligence in the Garment and Footwear Sector](#) and participate in a responsible recruitment panel which was facilitated by the President / CEO of the FLA and included civil society organization and vendor representatives. UA also participated in the Know The Chain Brand Roundtable on effective second tier supply chain due diligence that was organized to coincide with the event. In April/May 2019, UA shared lessons learned related to collaborative remediation of forced labor issues as part of a multi-stakeholder panel at [Modern Slavery, Forced Labor and Human Rights Forum](#).

Also, in February 2019, the FLA accredited UA's social compliance program following a multi-year examination and engagement process. The accreditation confirms the company has strong policies and practices in place to improve conditions for supply chain workers, including helping protect vulnerable populations from modern slavery risks.

FLA Responsible Recruitment Trainings: UA worked directly with all three of our Tier One vendor groups in Malaysia to ensure their participation in a three-day social compliance training on responsible recruitment led by the FLA in March 2019. Ten of our Tier Two suppliers also participated in the training when it was offered in Taiwan in October. The training focused on providing suppliers' HR and Compliance Managers with knowledge and tools to meet best practice standards on ethical recruitment.

UA became a member of [The Mekong Club](#) in October 2019 and continues to be an active participant in the Social Responsibility Committee of the AAFA, including working to advance progress on the [AAFA/FLA Commitment to Responsible Recruitment](#).

Verité Ethical Recruitment and Employment Auditing Training: In November 2019, a manager from our own Sustainability team attended a four-day interactive workshop by Verité on forced labor and ethical recruitment standards, regulatory frameworks, root causes and risk factors. We have applied the knowledge and skills obtained to strengthening oversight system related to modern slavery risks and imparted to the team more broadly via a train-the-trainer model.

UA Assessment Tool enhancement and 3<sup>rd</sup> Party Assessment Firms/UA Sustainability team training by [Impact Limited](#) ("Impact") on [ILO's core Forced Labor Indicators](#): In May 2020, UA Sustainability team engaged Impact to review and enhance the existing UA Assessment Tool and methodology to include ILO's core Forced Labor Indicators. Between June 3 and 4, 2020, Impact also led a 2-day training for 3<sup>rd</sup> party assessment firms and lead assessors and UA Sustainability staff which included educating relevant global Standards, tightening assessment techniques, using ILO's ["Hard to See, Harder to Count"](#) framework, and informing participants on how recruitment practices and the worker journey relate to Forced Labor.



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UA also re-committed to the Better Buying initiative in 2019 and joined their Learning Loops pilot which launched in December. Through this pilot, UA is working toward a roadmap that would support improvement across the Better Buying purchasing practices categories.

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### Section V: Additional Comments and/or Suggestions

UA remains committed to protecting the workers who make our products and their components and materials, and will investigate, and act to address, issues brought to our attention by TransparenTEM as well as other stakeholders. UA will keep addressing and mitigating the risks of modern slavery in our supply chains by continuing to embed into our policies, tools and sustainability program the important lessons we have learned from collaborating with migrant worker experts and partnering with suppliers on effective and sustainable remediation and capacity building.

## 7.0 Classita (M) Sdn. Bhd. Responses

- 1) July 13, 2021: Email attachment sent to Transparentem
- 2) August 5, 2021: Classita response to PIN Findings

## Classita Response

July 13, 2021: Email attachment sent to Transparentem

Dear Brandie Sasser,

Classita is the main manufacturer of lingerie in Malaysia. Established in 1990 with a capability of producing high quality lingerie of distinctive designs, Classita emphasizes excellent craftsmanship, innovative and modern style and comfort. Classita is very concern about reputation of the company among the buyers and always maintain the social compliance requirement at all the time. Please refer to our reply below.

**1. Recruitment fees** – All interviewed Classita workers reported paying high recruitment fees and related costs to secure their jobs. Interviewees stated that they had made significant sacrifices, such as incurring debt in their home countries, to pay these fees.

- The company has arranged to reimburse the recruitment fees agreed by the employees through 36 months instalment which have started in June 2021.

Refer to Appendix 1 Memo Reimbursement of Recruitment Fee

**2. Deceptive recruitment** – The majority of interviewees said that they believed they were being offered different or better-paying jobs when they paid the fees to agents in their home countries.

- The company has made a valid application to the respective embassy about the work to be offered. The company has also implemented a policy to ensure that the agent communicates correctly about the company's offer.

Refer to Appendix 2 - Recruitment and Appendix 3 Demand Letter for Recruitment of Workers from Nepal

**3. Retention of identity documents** – Almost all workers stated that Classita confiscated their passports, which they could only retrieve after securing permission from supervisors.

- Classita gives employees the freedom to keep their travel documents where a safe place with individual lockers are provided and the keys are held by them. The workers have the freedom to take out and keep their passports whenever they like.

Refer to Appendix 4 - Freedom To Access Individual Passport

**4. Inability to resign without financial penalty** – Most workers described withholding of wages by the factory that the majority believed would not be returned if they left before the end of their contract. Most workers also said that if they left their jobs before the end of their contracts, they would need to pay a fee to Classita.

- Employees have the freedom to resign by giving a proper notice or upon completion of the contract period.

Refer to Appendix 3 - Termination Policy

**5. Abusive working conditions** – Some workers reported that supervisors subjected workers to verbal abuse.

- Classita committed to follow the policy of Prohibition of Harassment or Abuse as per Appendix 6

**6. Discipline by fines** – Some workers stated supervisors disciplined them for minor alleged infractions by docking their pay.

- Classita does not deduct worker salary on disciplinary issue.

Refer to Appendix 7 - Disciplinary Policy



**7. Potential abusive living conditions** – workers described their factory-provided housing as uncomfortable and crowded.

- Classita obtained Certificate of Accommodation from the respective authorities which meet the standard requirement with good facilities and well ventilated for the accommodation of workers .  
Classita provide 4 blocks of hostel which can accommodate 750 workers, however, currently there are about 300 workers only.

As per Appendix 8 - Certificate of Accommodation

**8. Potential audit deception** – A few interviewees stated that Classita deceived auditors into believing, incorrectly, that workers had free access to their passports.

- Classita did not deceive auditors about workers are freely access to their passport as per item no 3.

**9. Potential lack of effective grievance mechanisms** – Interviewees reported that Classita failed to provide workers with adequate grievance mechanisms to safely and anonymously voice complaints about abuses and seek redress.

- Classita has Grievance Policy in place and all workers are trained on the mechanism.


Refer to Attachment 9 - Grievance Policy

Classita has been certified by 2 compliance audits, they are BSCI and WRAP. All these compliance audits are successfully follow the requirement and there is no any violence towards workers. Also as per Bravado (Client from Canada) request, Classita has been assessed and validated by third party NGO that there is no forced labour for migrant workers or any legal breaks of ILO requirements.

## Classita Response

August 5, 2021: Classita (M) Sdn. Bhd. Response to Transparentem #2,

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**Classita (M) Sdn. Bhd. Response to Transparentem #2**

**Contact Information**  
 Date: 05 August 2021  
 Name of person submitting this response: [REDACTED]  
 Title: [REDACTED]  
 Email: [REDACTED] Phone: [REDACTED]

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**Completion Deadline: Thursday, August 12**

**Overview**  
 This second questionnaire seeks further information intended to support Transparentem's public reporting on conditions for garment factory workers in Malaysia. We are including follow-up questions based on your submitted answers to our first questionnaire, as well as reminders of previous questions, if we were unable to detect answers among the documents provided. New questions appear first in each section, and are marked with a <sup>1487</sup>. As noted previously, we have also contacted 10 buyers from factories in Malaysia, as well as the management of two other suppliers. We will include the full responses from all buyers and suppliers in our reporting, which we will provide to institutional investors, regulators, journalists, and advocacy groups for their awareness and potential action.

In addition to our questions about workplace conditions in general, we have also included – in both our previous questionnaire, and in this one – questions related to the unexpected appearance of the global COVID-19 pandemic while this project was ongoing. We understand the special challenges the pandemic presents to suppliers, workers, buyers, and others, and ask that you answer the questions to the best of your company's ability. Transparentem will take COVID-19 challenges into account when producing our report on this project.

If you submit any resources or documents to Transparentem as part of your response to the questions below that you do not want attributed to your company, please clearly mark this material as not for attribution and send it as a separate file. We may use any materials marked this way to inform our reporting on progress in Malaysia but will not quote from them or attribute them to your company.

Statement from Classita:  
 Classita shall comply with all the Code of Conduct of ILS. We have been in this industry for more than 30 years and we are very concerned on our factory reputation towards social compliance and workers' welfare.

---

**Section I. Recruitment and Reimbursement Plan**

- When and for what reason(s) did Classita decide to organize and implement its recruitment fee reimbursement plan?<sup>28</sup>  
 Classita start to implement the recruitment fee reimbursement plan since June 2021.  
 The reason being is purely to comply with the requirement of the standard.

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2. Please describe the reimbursement plan process and provide answers to the following questions:<sup>a</sup>  
*Classita will reimburse the recruitment fee by 36 months installments as per plan which has been agreed by both parties.*
- a. Please provide the total number of migrant workers to whom Classita expects to provide reimbursement, and the total amount expected to be paid to workers.  
*(refer to appendix no. 1)*
- i. How did Classita determine worker eligibility for reimbursement and the specific reimbursement amounts to be provided per worker?  
*All the foreign workers are eligible for the reimbursement plan. The reimbursement is determined based on the discussion between the workers and the company.*
- ii. How many total migrant workers did Classita assess for eligibility?  
*Refer to Appendix No 1.*
- b. Can you provide a status update on the worker reimbursement program as of August 2021? Please provide any relevant documentation, such as reimbursement slips.  
*We have started paying the workers in June & July 2021. Please refer to few samples of payslips attached (Appendix no 2)*
- c. What are Classita's procedures for reimbursing workers who depart from the factory during the reimbursement period. Please answer both for workers who provide and do not provide notice of departure.  
*For workers depart with notice we will pay as according to the amount as shown in Appendix 3. We do not have workers depart without notice for time being.*
- d. How and when is a worker who departs without notice classified as a "ran away," as described in Classita-provided documents?  
*For workers without notice we classified as ran away.*
3. Has Classita has investigated the possibility of accelerating its reimbursement timeline to conclude before the current expected end date in 2024?<sup>b</sup>  
*No. We have to consider company's financial position.*
4. Has Classita changed any policies governing recruitment fees following engagement with its buyers within the last eight months? If so, please describe.  
*We will follow the existing reimbursement plan.*

### Section II: Workplace Standards


Please provide TransparenTEM with copies of your workplace standards governing all of the issue areas cited in Section II. If your company does not maintain policies on any of the areas identified, please let us know if you plan to develop policies and on what timeline.

1. Does Classita currently maintain policies protecting workers' freedom of movement within and outside of company facilities? If yes, please summarize.  
*The workers are freely to move within and outside of company facilities. However, due to the current pandemic outbreak of Covid 19, the company impose strict control on their movement as per our government movement control SOP.*

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2. Does Classita currently maintain policies regarding workplace health and safety? If yes, please summarize.  
*Classita does maintain healthy and safe work place in accordance to the Department of Occupational Safety and Health (DOSH) and safety policy of the company. (Appendix 4)*
3. Does Classita maintain a policy regarding overtime?  
If yes, please summarize and highlight in your response any company policies against excessive hours of work and whether the policies limits daily and/or weekly hours.  
*Classita comply with overtime policy as per the ILS overtime policy. (Appendix 5)*
4. Please describe the following about Classita's grievance channel:
  - a. whether and how workers are trained or made aware of the channel,  
*Induction course and yearly refresher code of conduct training*
  - b. whether and how workers remain anonymous during and after using the channel,  
*We strictly protect the anonymity of the workers.*
  - c. any procedures to ensure workers are safe from retaliation, and  
*Yes. Refer to Grievance Policy (Appendix 6)*
  - d. the number and nature of grievances filed with Classita over the past 12 months, and how the grievances were remediated.  
*Please refer Appendix 7*
5. Please describe Classita's training for workers on factory policy and procedures.\*
  - a. Do workers receive training on the types of workplace standards covered by this and the previous questionnaire, including, but not limited to: access to identify documents, harassment and abuse, use of grievance mechanisms, wage deductions, and interactions with social auditors?  
*Yes*
  - b. If yes, please describe how the training is implemented, including:
    - i. Whether workers receive this training in their native language, and  
*Yes, we use a translator to convey the message of the training materials (Appendix 8)*
    - ii. Whether training occurs via home-country recruiters, upon arrival at Classita, or a mix of both.  
*Conduction Induction Course upon their arrival.*
6. Has Classita changed any policies regarding any of the above areas following engagement with its buyers within the last eight months? If so, please describe.
7. Since November 2020, has Classita carried out any collaborations with buyers, or third-party auditors, to assess workplace conditions and develop corrective action? If yes:  
*Please refer Appendix 9*
  - a. Please describe the involved parties, dates, scope, and findings of the assessment.
  - b. Please describe the corrective action Classita has undertaken in response to such engagements.
  - c. Was corrective action implemented across all company units and in company-operated hostels?
  - d. How many workers were affected by corrective action?
  - e. Can you describe actions taken by Classita to address root causes and prevent recurrence of issues?

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E. Please attach any supporting documentation.

8. Have there been any other recent policy changes or corrective actions undertaken at Clasita that your company wishes to highlight? If so, please describe.  
No

9. Does Clasita participate or plan to participate in any sector-wide collaborations to support workers or raise workplace standards? If so, please describe.

a. Has Clasita joined any such initiatives within the last seven months?  
No

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**Section III. Impact of the COVID-19 Pandemic**

1. Please describe whether any buyers' actions related to the COVID-19 pandemic affected Clasita's operations and if relevant, how operations were affected.  
N/A

2. Please describe conditions at Clasita during the time of the COVID-19 pandemic. For example:

a. Did Clasita continue paying workers during factory downtime caused by the pandemic?  
Yes

b. Did workers remain in Clasita hostels, during factory downtime and if so,

i. what health and safety protections were available to them? Please highlight in your response any protections against overcrowding in dormitories.  
Comply to standard housing requirement by statutory. Refer appendix 10 & 11

ii. what responsibility did the facility assume for workers' meals?  
Equip with centralise kitchen for the workers to cook by themselves. Arrange mobile groceries suppliers to provide daily needs to the workers.

c. Has Clasita terminated workers and/or placed them on unpaid leave?  
No

d. Has Clasita paid severance and/or provided a travel stipend for any workers terminated or sent home during the COVID-19 pandemic?  
Yes

e. Have workers at Clasita been reassigned to produce personal protective equipment (PPE) or other medical supplies related to mitigating the spread of COVID-19?  
Yes

f. What health and safety protections are available to workers within the factory?  
Provide face masks, arrange social distance, temperature scanner, hand sanitizer, disinfection factory and hostel premise at per schedule.

g. Has Clasita maintained any policies for how to respond to cases of COVID-19 detected in the workplace? If so, please provide these policies.  
Refer to Appendix 11.

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h. Any other information you may wish to provide on the status of workers at Classita.  
*We have zero case of covid 19 infection as at todate.*

3. Please describe any additional COVID-19 effects on Classita's business operations relevant to Transparentem's understanding current conditions.  
*Yes, it affected our sales order negatively.*

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**Section IV: Additional Comments and/or Suggestions**

*\*Denote not-new questions.*

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# 8.0 Ghim Li Fashion Sdn. Bhd. Responses


1) July 21, 2021: Ghim Li response to PIN Findings



## Ghim Li Response

8) July 21, 2021: Ghim Li Fashion Sdn. Bhd. Response to Transparentem,

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**Ghim Li Fashion Sdn. Bhd. Response to Transparentem**

Contact Information Date: 21 July 2021  
 Name of person submitting this response: [REDACTED]  
 Title: [REDACTED]  
 Email: [REDACTED] Phone: [REDACTED]

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Completion Deadline: Friday, July 23, 2021

**Overview**

We are asking your company to respond to the questions below to inform Transparentem's public reporting on conditions for garment factory workers in Malaysia. As part of this project, we have also contacted 10 buyers from factories in Malaysia, as well as the management of two other suppliers. We will include the full responses from all buyers and suppliers in our reporting, which we will provide to institutional investors, regulators, journalists, and advocacy groups for their awareness and potential action.

In addition to our questions about workplace conditions in general, this questionnaire also includes questions related to the unexpected appearance of the global COVID-19 pandemic while this project was ongoing. We understand the special challenges the pandemic presents to suppliers, workers, buyers, and others, and ask that you answer the questions to the best of your company's ability. Transparentem will take COVID-19 challenges into account when producing our report on this project.

If you submit any resources or documents to Transparentem as part of your response to the questions below that you do not want attributed to your company, please clearly mark this material as not for attribution and send it as a separate file. We may use any materials marked this way to inform our reporting on progress in Malaysia but will not quote from them or attribute them to your company.

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**Section I: Workplace Standards**

*Please provide Transparentem with copies of your workplace standards governing all of the issue areas cited in questions 1 – 11. If your company does not maintain policies on any of the areas identified, please let us know if you plan to develop policies and on what timeline.*

1. Does Ghim Li currently maintain policies governing ethical recruitment practices?

a. If so, please summarize any company policies governing the following areas:

- i. the party responsible for paying recruitment fees and related costs,
- ii. ensuring ethical operations and accurate communications to workers by recruitment/employment agents in home countries and in Malaysia, and
- iii. ensuring accurate and clear employment contracts for workers including those issued by recruitment/employment agents or any other third parties.

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*Pls refer to:-*

I. *GLM-HRM-005 Foreign worker recruitment procedure*  
 II. *Memo - RECRUT FEE MEMO 1,2,3*  
 III. *Recruitment Fee Refund*

2. Does Ghim Li currently maintain policies governing whether or when deductions may be made from workers' pay?

a. If so, please summarize the policy, including outlining any reasons in which Ghim Li would withhold deductions from worker wages, such as recruitment fee repayment or costs of accommodation.  
 b. Please explain the rationale for why workers are asked to bear the cost of any wage deduction cited above.  
 c. How does Ghim Li communicate the type of and rationale for any wage deductions to workers?

*No deduction from workers.*  
*Pls refer to :-*  
 I. *GLM-HRM-001 Human Resource Management Manual, Clause 2.1.5*  
 II. *Employee Contract*

3. Does Ghim Li currently maintain policies regarding workplace financial penalties or fines?

a. If yes, please summarize and highlight in your response any company policies or procedures regarding financial penalties for ending contracts early including if repayment for the foreign worker levy is required.

*Nil.*  
 I. *Pls refer to GLM-HRM-001 Human Resource Management Manual, Clause 2.1.6*

4. Does Ghim Li currently maintain policies protecting workers' freedom of movement within and outside of company facilities? If yes, please summarize.

I. *Pls refer to POLICY GLM 2 - FORCED LABOUR, Clause 2.1.3*

5. Does Ghim Li currently maintain policies regarding workers' access to their identity documents?

a. If yes, please summarize and highlight in your response any steps Ghim Li requires workers to take to obtain their passports, such as receiving permission from a supervisor and/or paying a deposit.

I. *Ghim Li not holding any workers' travel document or passport*  
 II. *Pls refer to GLM-HRM-006 Passport Handling Procedure for permit renewal process*

6. Does Ghim Li currently maintain policies regarding health and safety in living spaces?

a. If yes, please summarize and highlight in your response any company policies against overcrowding in dormitories, including any precautions related to the COVID-19 pandemic.

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as well as any steps taken to implement the 2010 amendment to The Workers' Minimum Standards of Housing and Amenities Act.

*All workers move to 1-Jaya centralise hostel approval by government and comply with 'Minimum Standards of Housing and Amenities Act'.*

Pls refer to :-

i- Tenancy Agreement  
ii- Approval from Labour Department (JTK) Malaysia.

7. Does Ghim Li currently maintain policies regarding workplace health and safety?

a. If yes, please summarize and highlight in your response any company policies regarding providing personal-protective equipment.

Pls refer to :-

I. GLM-OSH-PR01- REV 1-Safety Management Procedure, Clause 6.4.9

8. Does Ghim Li currently maintain policies against workplace harassment and abuse? If yes, please summarize.

Pls refer to :-

I. GLM-HRM-002 - Harassment and Abuse Preventive Procedure

9. Does Ghim Li currently maintain policies regarding workers' freedom of movement? If yes, please summarize.

Pls refer to :-

I. POLICY GLM 2 -FORCED LABOUR, Clause 2.1.3

10. Does Ghim Li maintain a policy regarding overtime?

a. If yes, please summarize and highlight in your response any company policies regarding excessive hours of work or voluntary overtime, and whether the policies limits daily and/or weekly hours.

Pls refer to :-

I. POLICY GLM 6 – Working Hours

11. Does Ghim Li maintain any policies or procedures that ensure social auditors have access to accurate and appropriate documentation of company policies and workers' experiences in the workplace?

a. If yes, please summarize and highlight in your response the information provided to social auditors regarding documentation of workers' pay and hours.

Pls refer to :-

I. Buyer Audit Status 2021

12. Does Ghim Li currently provide a grievance channel for workers to report workplace issues and seek improvements?

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a. If so, please describe the following:

- i. how the channel functions,
- ii. who maintains the channel and provides remediation,
- iii. whether and how workers are trained or made aware of the channel,
- iv. whether and how workers remain anonymous during and after using the channel,
- v. any procedures to ensure workers are safe from retaliation, and
- vi. the number and nature of grievances filed with Ghim Li over the past 12 months, and how the grievances were remediated.

- i. We maintain few channels for workers to voice their grievances.
  1. We have our WRC, whereby worker representatives from each nationality is nominated by their countrymen to voice their grievances to management. (Please see attachment Ques 12a- WRC 2021 & Ques 12a – WRC Minutes Meeting).
  2. Whatsapp groups are setup amongst production leaders and hostel leaders with direct liaison with top management. Top management's numbers are in the Whatsapp group whereby leaders can switch to personal direct contact with top management. (Please see attachment Whatsapp Group).
- ii. The Senior Factory Manager & HR Manager heads together with the Management team in maintaining the channels and provides remediation accordingly.
- iii. While we had conducted meetings with WRC, the improvements in social media and information technology makes it simpler for all workers to communicate with management, whether openly or discreetly.
- iv. While we have formal channels for workers to submit their grievances, such as the Grievances Report Form, whereby HR would keep their identities confidential, but such traditional ways are not so commonly used not. Some workers would send a message over to management through an anonymous number for management to take action, and remediation
- v. Pls refer to GLM-HRM-001 Human Resource Management Manual, Clause 7.0
- vi. NIL

b. If no such channel exists, please describe how Ghim Li assures workers are able to report any workplace violations or grievances.

N/A

c. Please describe any other grievance channels that are available to workers at Ghim Li, such as those maintained by Ghim Li's buyers or by a third party.


Our buyer & WRAP conducts annual social compliance audits. Workers are free to voice their grievances to the auditors.

13. Has Ghim Li changed any policies governing recruitment fees following engagement with its buyers within the last seven months? If so, please describe.

NIL

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14. Has Ghim Li changed any policies regarding any of the other above areas following engagement with its buyers within the last seven months? If so, please describe.

NIL

15. Since November 2020, has Ghim Li carried out any recent collaborations with buyers, or third-party auditors, to assess workplace conditions and develop corrective action? If yes:

- Please describe the involved parties, dates, scope, and findings of the assessment.
- Please describe the corrective action Ghim Li has undertaken in response to such engagements.
- Was corrective action implemented across all company units and in company-operated hostels?
- How many workers were affected by corrective action?
- Can you describe actions taken by Ghim Li to address root causes and prevent recurrence of issues?
- Please attach any supporting documentation.

*Pls refer to :-*

- ISO 9001 Audit Report
- ISO 13485 Audit Report
- Corrective Action Report

16. Have there been any other recent policy changes or corrective actions undertaken at Ghim Li that your company wishes to highlight? If so, please describe.

*Pls refer to GLN-HRM-005 Foreign worker recruitment procedure*

17. Does Ghim Li participate or plan to participate in any sector-wide collaborations to support workers or raise workplace standards? If so, please describe.

- Has Ghim Li joined any such initiatives within the last seven months?

*Workers moving to centralize Hostel that approved by Government of Malaysia. Refer to point no 5 at above.*

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**Section II: Impact of the COVID-19 Pandemic**

1. Please describe whether any buyers' actions related to the COVID-19 pandemic have affected Ghim Li's operations and if relevant, how operations were affected.


*Pls refer to :- Buyer Cancel order email*

2. Please describe conditions at Ghim Li during the time of the COVID-19 pandemic. For example:

- Did Ghim Li continue paying workers during factory downtime caused by the pandemic?
- Did workers remain in Ghim Li hostels, during factory downtime and if so,

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i. what health and safety protections were available to them?  
ii. what responsibility did the facility assume for workers' meals?

c. Has Ghim Li terminated workers and/or placed them on Unpaid leave?  
d. Has Ghim Li paid severance and/or provided a travel stipend for any workers terminated or sent home during the COVID-19 pandemic?  
e. What health and safety protections are available to workers within the factory?  
f. Has Ghim Li maintained any policies for how to respond to cases of COVID-19 detected in the workplace? If so, please provide these policies.  
g. Any other information you may wish to provide on the status of workers at Ghim Li:

a) *Pls refer to :- Deduction of Employees' Salary with Consent*  
b) *i. Company provided face mask, hand sanitiser, factory disinfection, Hostel disinfection, ii. Worker will order food themselves. For quarantine worker, company will provide food.*  
c) *No, Pls refer to Deduction of Employees' Salary with Consent*  
d) *Don't have terminated workers and due to Malaysia lock down, don't have flight to sent home during Covid-19 pandemic.*  
e) *Hand sanitiser, Face Mask, factory disinfection.*  
f) *Pls refer to GLM COVID 19 SOP PRACTICE/ Covid-19 Minute Meeting, Covid Test Records, KKM - WORKER MOVEMENT SOP PICS*  
g) *Pls refer to GLM COVID 19 SOP PRACTICE/ Covid-19 Minute Meeting, Covid Test Records, KKM - WORKER MOVEMENT SOP PICS*  
*Group (all Ghim Li employees) vaccination registration program applied on 18 June 2021 through PIKAS (Malaysian Government's Group Vaccination Program).*

3. Please describe any additional COVID-19 effects on Ghim Li's business operations relevant to Transparentem's understanding current conditions.

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**Section III: Additional Comments and/or Suggestions**

*I. Due to Malaysia FMCO (Fully Movement Control Order, lockdown), Government just allowed to operate with 60% worker capacity.*


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# 9.0 K.N. Lee Knitting Industries Sdn. Bhd. Responses

1) August 14, 2021: K.N. Lee Response to PIN Findings

## K.N. Lee Response

August 14, 2021: K.N. Lee Knitting Industries Sdn. Bhd. Response to Transparentem #2,


**TRANSPARENTEM**

**K.N. Lee Knitting Industries Sdn. Bhd. Response to Transparentem #2**

**Contact Information**  
 Date: 14.08.2021  
 Name of person submitting this response: [REDACTED]  
 Title: [REDACTED]  
 Email: [REDACTED] Phone: [REDACTED]

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**Completion Deadline: Thursday, August 12**

**Overview**  
 This second questionnaire seeks further information intended to support Transparentem's public reporting on conditions for garment factory workers in Malaysia. We are including follow-up questions based on your submitted answers to our first questionnaire, as well as reminders of previous questions, if we were unable to detect answers among the documents provided. New questions appear first in each section, and are marked with a "\*\*". As noted previously, we have also contacted 10 buyers from factories in Malaysia, as well as the management of two other suppliers. We will include the full responses from all buyers and suppliers in our reporting, which we will provide to institutional investors, regulators, journalists, and advocacy groups for their awareness and potential action.

In addition to our questions about workplace conditions in general, we have also included -- in both our previous questionnaire, and in this one -- questions related to the unexpected appearance of the global COVID-19 pandemic while this project was ongoing. We understand the special challenges the pandemic presents to suppliers, workers, buyers, and others, and ask that you answer the questions to the best of your company's ability. Transparentem will take COVID-19 challenges into account when producing our report on this project.

If you submit any resources or documents to Transparentem as part of your response to the questions below that you do not want attributed to your company, please clearly mark this material as not for attribution and send it as a separate file. We may use any materials marked this way to inform our reporting on progress in Malaysia but will not quote from them or attribute them to your company.

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**Section I: Recruitment and Reimbursement Plan**

1. When and for what reason(s) did K.N. Lee decide to organize and implement its recruitment fee reimbursement plan?

**Reply:-**

- In order to comply with our buyer's standard, K.N.LEE are agree to implement the repayment exercise. Our buyer are agree after reviewed KN Lee's repayment proposal on March 2020.



2. Please describe the reimbursement plan process and provide answers to the following questions:<sup>4</sup>

a. Please provide the total number of migrant workers to whom K.N. Lee expects to provide reimbursement, and the total amount expected to be paid to workers.

i. How did K.N. Lee determine worker eligibility for reimbursement?

Reply:-

- It is based on our buyer's term and conditions, we are remit payment to in-scope workers employed at K.N.LEE from 2015 onward to 2018.

ii. How many total migrant workers did K.N. Lee assess for eligibility?

Reply:-

- Total 150 worker are entitled to the reimbursement plan.

b. Can you provide a status update on the worker reimbursement program as of August 2021? Please provide any relevant documentation, such as reimbursement slips.

Reply:-

- The reimbursement fees will be paid through the worker bank account.  
Please refer to the attachment:  
Q2 (b). Refund Of Recruitment Fees Summary List  
Q2 (b). Refund slip
- The refund will be made on 30<sup>th</sup> each of the month.

c. What are K.N. Lee's procedures for reimbursing workers who depart from the factory during the reimbursement period. Please answer both for workers who provide and do not provide notice of departure.

Reply:-

- For those worker who provide notice on departure within the exercise, company will fully refund to them at the last month of employed. The worker do not provide notice of departure, such as runaway, we will still refund them if they came back to our company.

3. Has K.N. Lee changed any policies governing recruitment fees following engagement with its buyers within the last seven months? If so, please describe.

Reply:-

- Yes, our company practices a "No Recruitment Fees" in recruiting its foreign workers and implement on first batch of recruitment on 2019. K.N.Lee Knitting Sdn Bhd covers the official cost of recruiting foreign workers, not any fees incurred to them in any stage of the recruitment process, whether by us, our contractors, our agents or their sub-agents in receiving and sending countries will not be charged to them.



4. How will K.N. Lee monitor the use of sub-agencies by its contracted recruitment agencies? \*

Reply:-

- The Supplier assessment/evaluation form must be carried out every year. The assessment must be carried out before the company start for the recruitment, this is to make sure that, the recruitment agency is a legal recruitment company and had the recruitment process that can meet up the RBA requirement.
- The recruitment fees will be indicate at the Quotation before recruitment is in order. The fees clearly define that the recruitment and process fees is responsible by the company which is no deduction to the worker.
- Service agreement had in place which is including on the fees of the recruitment.

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**Section II: Workplace Standards**

Please provide Transparentem with copies of your workplace standards governing all of the issue areas cited in Section II. If your company does not maintain policies on any of the areas identified, please let us know if you plan to develop policies and on what timeline.

1. Does K.N. Lee currently maintain policies regarding workplace financial penalties or fines?

a. If yes, please summarize and highlight in your response any company policies or procedures regarding financial penalties for ending contracts early, including if repayment for the foreign worker levy is required, and discipline by fines.

Reply:-

- In the event that ending the contracts early is terminated by the Employer on the ground that the employee has committed misconduct the employee shall bear the costs of his/her repatriation. It is including the employee committed in the following event:
  - i. If the employee breaches any of the restrictions is convicted under the Laws of Malaysia.
  - ii. If the employee is absent from work for more than two (2) consecutive working days without a valid reasons.
  - iii. If the employee using the Employer's possessions without the Employer's permission.
  - iv. If the employee is involved in illegal and lawful activities

2. Does K.N. Lee currently maintain policies protecting workers' freedom of movement within and outside of company facilities? If yes, please summarize.

Reply:-

- Yes, K.N.LEE will ensure security does not restrict worker's movement. The dormitory management provided to workers, all the workers are allowed to go out of dormitory without any restriction.

3. Does K.N. Lee maintain any policies or procedures that ensure social auditors have access to accurate and appropriate documentation of company policies and workers' experiences in the workplace?

4. Please describe the following about K.N. Lee's grievance channel:  
a. how the channel functions,

Reply:-

- Procedures



- The company have provided the employee communication channel for employee feedback and complaint. The communication channel is handle by 3rd party personnel. The employee can report the grievances through the communication channel: -i) Communication Box at K.N.Lee Knitting Sdn Bhd notice box  
ii) Grievances email: [hr2@knlee.com.my](mailto:hr2@knlee.com.my)

b. who maintains the channel and provides remediation,

Reply:-

- K.N.LEE Human Resource Department will maintains the channel and provides remediation.

c. whether and how workers are trained or made aware of the channel,

Reply:-

- The written procedure will be placed on the notice box.
- The communication/suggestion box will be place nearest to the notice box.

- Policy and procedures briefing will be given to the employee and the grievances process of reporting will be including in the Employee Orientation.
- Training will be carry on regularly in every year.

d. whether and how workers remain anonymous during and after using the channel,

**Reply:-**

- The grievance channel are anonymous, it is preserve confidentiality and ensure privacy for anonymous comments at any stage of the process.
- All aspects of the reporting system will be both confidential and anonymous.
- For the sake of protecting anonymity, the suggestion box will locked. Only those in charge of reviewing suggestions should have access to the key.

e. any procedures to ensure workers are safe from retaliation, and the number and nature of grievances filed with K.N. Lee over the past 12 months, and how the grievances were remediated.

**Reply:-**

- These procedures are designed to provide a fair internal mechanism for resolving disputes of employees. The success of these procedures depends upon willingness of all employee of the company to participate when asked and to participate truthfully. An appeal under this procedure will not cause any reflection on the individual's status as an employee nor will it affect future employment, compensation.
- Retaliation against an employee who participate in the grievance or any informal resolution process is prohibited. An employee who penalizes or retaliates against another employee may be subject to corrective action.

5. Please describe K.N. Lee's training for workers on factory policy and procedures.\*

a. Do workers receive training on the types of workplace standards covered by this and the previous questionnaire, including, but not limited to: access to identify documents, harassment and abuse, use of grievance mechanisms, wage deductions, and interactions with social auditors?

**Reply:-**

- Yes, our worker receive the above policy and procedure training that has been stated in the question 5(a).

b. If yes, please describe how the training is implemented, including:

i. Whether workers receive this training in their native language, and

**Reply:-**

ii. Whether training occurs via home-country recruiters, upon arrival at K.N. Lee, or a mix of both.

**Reply:-**

- Mix of both, training occurs via home-country recruiters and upon arrival at K.N. Lee.

6. Has K.N. Lee changed any policies regarding any of the above areas following engagement with its buyers within the last eight months? If so, please describe.

**Reply:-**

- 

7. Since November 2020, has K.N. Lee carried out any collaborations with buyers, or third-party auditors, to assess workplace conditions and develop corrective action? If yes:

a. Please describe the involved parties, dates, scope, and findings of the assessment.

**Reply:-**

- Audit firm: Verité
- Audit date: 04.02.2021 – 05.02.2021

b. Please describe the corrective action K.N. Lee has undertaken in response to such engagements.

**Reply:-**

- There are total 29 Verite findings during 2019 & 2021.
- There have been 25 findings properly addressed already and the evidences has been update to buyer.

c. Was corrective action implemented across all company units and in company-operated hostels?

**Reply:-**

- Yes, corrective action implemented across all company units and in company-operated hostels.

d. How many workers were affected by corrective action?

**Reply:-**

- There are total 272 worker involved in the corrective action.

e. Can you describe actions taken by K.N. Lee to address root causes and prevent recurrence of issues?

**Reply:-**

- The company policy and written procedures will be properly develop and implemented.
- The procedures briefing and training will be given to worker, in order to ensure worker understand procedures and aware of the commitment during the employment period.

- Through the grievances channel to communicate with worker to focus on the area that need improvement.
- Overlook the written procedure and documentation develop. Only verbal communication practice.
- Lack of the communication, information and explanation with the worker.

f. Please attach any supporting documentation.

8. Have there been any other recent policy changes or corrective actions undertaken at K.N. Lee that your company wishes to highlight? If so, please describe.

Reply:-

9. Does K.N. Lee participate or plan to participate in any sector-wide collaborations to support workers or raise workplace standards? If so, please describe.

a. Has K.N. Lee joined any such initiatives within the last seven months?

Reply:-

- No.

---

**Section III: Impact of the COVID-19 Pandemic**

1. Please describe whether any buyers' actions related to the COVID-19 pandemic affected K.N. Lee's operations and if relevant, how operations were affected.

Reply:-

- No

2. Please describe conditions at K.N. Lee during the time of the COVID-19 pandemic. For example:

a. Did K.N. Lee continue paying workers during factory downtime caused by the pandemic?

Reply:-

- Yes, K.N. Lee continue paying workers during factory downtime caused by the pandemic.

b. Did workers remain in K.N. Lee hostels, during factory downtime and if so,

i. what health and safety protections were available to them? Please highlight in your response any protections against overcrowding in dormitories.

Reply:-

- Yes, K.N. Lee had implemented the health and safety protections at employee hostel for the health and safety awareness and precaution.

- The company had been following the workers "Minimum Standards of Housing and Amenities" Act as a guideline for the worker housing.

ii. what responsibility did the facility assume for workers' meals?

Reply:-

- K.N. Lee not provides the meals for the workers but the company had negotiate the price with the food supplier so the worker can direct buy from the designated food supplier at specific location during Covid-19 pandemic. We are encourage the hostel leader or any representative pick up the food ingredients which is packed nicely in individual package to avoid cluster.

c. Has K.N. Lee terminated workers and/or placed them on unpaid leave?

Reply:-

- K.N. Lee Knitting Sdn Bhd, did not terminated any worker and/or placed them on unpaid leave.

d. Has K.N. Lee paid severance and/or provided a travel stipend for any workers terminated or sent home during the COVID-19 pandemic?

Reply:-

- K.N. Lee Knitting Sdn Bhd, did not paid severance and/or provided a travel stipend for workers terminated during the Covid-19 pandemic.

e. Have workers at K.N. Lee been reassigned to produce personal protective equipment (PPE) or other medical supplies related to mitigating the spread of COVID-19?

Reply:-

- 

f. What health and safety protections are available to workers within the factory?

Reply:-

- K.N. LEE had provided a few type of personal protective equipment (PPE) in factory, if employee needed.
- The personal protective equipment (PPE) include medical mask, Isolation Protective mask (face shield), Glove and Isolation Gown.
- During covid-19, as enforce by the government and follow the Standard Operating Procedures, the company implemented and provided the face mask since last year.

g. Has K.N. Lee maintained any policies for how to respond to cases of COVID-19 detected in the workplace? If so, please provide these policies.



Reply:-

- Memo: Standard Operation Procedure (SOP) On Health and safety measures against Covid – 19 pandemic.

h. Any other information you may wish to provide on the workplace conditions of workers at K.N. Lee.

3. Please describe any additional COVID-19 effects on K.N. Lee's business operations relevant to Transparenem's understanding current conditions.