

# Paying to Work

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

October 2024

A large, light gray watermark of the TRANSPARENT logo is positioned in the bottom right corner of the page. It consists of a large circle containing a vertical bar with a central gap, and a horizontal bar above it, forming a stylized 'T' shape.

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# 1.0 Executive Summary

Transparentem conducted an investigation into the presence of indicators of forced labor in the Malaysian apparel industry from November 2019 to February 2020. During this investigation, workers in factories reported very concerning problems including the payment of excessive recruitment fees and related costs, abusive living conditions, and deception throughout the recruitment process. Subsequently, Transparentem spent several months engaging with brands (buyers) who bought from these factories (suppliers), which led to some improvements for workers and limited repayment of recruitment fees and related costs to workers. Transparentem did follow-up rounds of interviews with migrant workers to understand if conditions had improved, with the most recent being in January 2023.

Transparentem investigated three suppliers—Classita (M) Sdn. Bhd., Ghim Li Fashion Sdn. Bhd., and K.N. Lee Knitting Industries Sdn. Bhd.—where many of the issues found may be representative of broader issues in the sector.<sup>1</sup> Following Transparentem’s initial outreach to buyers, six buyers (Bravado Designs, Buck Wear, Centric Brands, H. Best, Macy’s, and Under Armour) worked directly with their suppliers to address conditions for workers. One notable remediation step was repayment to workers for recruitment fees and related costs. According to the three suppliers, the repayment plans partially reimbursed 800 workers a total of 2,903,200 ringgit (\$693,716 or an average of \$867 per worker).<sup>2</sup> However, no company reported implementing a repayment plan that would appear to guarantee 100 percent repayment to workers for all of their recruitment fees and costs. Partial repayment at one supplier, Classita (M) Sdn. Bhd., took place over three years; lengthy repayment plans delay justice for workers and can lead to risks of debt bondage and workers staying at jobs they might have otherwise left in order to receive repayment.<sup>3</sup>

In addition to the repayment plans, companies reported progress towards relieving hostel overcrowding and establishing new grievance mechanisms at Ghim Li and K.N. Lee. K.N. Lee buyers also reported improvements to fire safety in the dormitories, migrant workers’ freedom of association, and oversight of recruitment agents’ ethical compliance. Other than the partial recruitment fee reimbursements, no meaningful remediation took place at Classita. Please see the [responses from buyers and suppliers to our original investigation](#) for more details.

“Now...I am bound to live here like this! It is a jail. I am living in a jail here!”

– Classita worker during Transparentem’s original investigation

Following these reports, Transparentem continued to monitor conditions at all three factories from March 2022-January 2023. Unfortunately, interviews with workers indicated that problems persisted. Transparentem advised these buyers of the need for further action in April 2023, giving them the opportunity to work with their suppliers to address these issues. Transparentem’s follow-up work found:

1. At Classita, where little meaningful remediation occurred following Transparentem’s original outreach, investigators found additional evidence of several serious issues, including deceptive recruitment, abusive living and working conditions, and withholding of wages, leaving workers highly vulnerable to debt bondage and exploitation.
2. Workers at all three factories told Transparentem they had been partially reimbursed for recruitment fees. However, none of the factories has provided 100 percent repayment of workers’ fees. Classita had the longest repayment period—three years<sup>4</sup>—which likely continued to put workers at risk of debt bondage.<sup>5</sup>
3. Passport retention remained a problem at both K.N. Lee and Classita, making workers more vulnerable to forced labor.
4. Ghim Li workers said the factory did not always pay the full rate for overtime work.
5. Workers at all three factories said they would have to pay financial penalties for resigning, another practice that puts workers at risk of forced labor.
6. Oversight of recruitment agents continues to be a challenge at the implicated suppliers and in the sector overall, which could lead to risks like newly hired workers continuing to pay recruitment fees and related costs.

Overall, Transparentem conducted 73 formal interviews with migrant workers (many of whom were interviewed at multiple stages of the project to understand any progress) and engaged with the management of three suppliers (factories producing apparel in Malaysia) and ten buyers from these factories. This report details the results of our engagement with buyers, suppliers, workers, and others. Our investigation and engagement with buyers spanned more than three years due to the lack of immediate remediation and continuation of many reported problems. Partially as a result of these delays, our final reporting was postponed. It is possible that the situation may have shifted since our investigators were able to conduct direct worker interviews in January 2023 and Transparentem reached out to buyers in April 2023 and to suppliers in June 2023. We call on buyers and suppliers to support worker-led systems capable of identifying any improvements that may have occurred since the conclusion of our investigation.

**Table 1. Supply Chain Connections and Buyer Responses to Original Investigation (November 2019 – February 2022)**

Company	Classita	Ghim Li	K.N. Lee	Responded to initial outreach?	Engaged in factory remediation efforts?
Bravado Designs	✓			YES	YES <i>(working alone)</i>

Buck Wear			✓	YES	YES <i>(in collaboration with other brands)</i>
Centric Brands			✓	YES	YES <i>(in collaboration with other brands)</i>
H. Best			✓	YES	YES <i>(in collaboration with other brands)</i>
Hudson’s Bay Co. (HBC)		✓		YES	N/A**
Inventory Trading Company			✓	NO	NO
Leading Lady	✓*			YES	NO
Macy’s		✓		YES	YES <i>(working alone)</i>
Under Armour			✓	YES	YES <i>(in collaboration with other brands)</i>
Viania	✓			YES	NO

The buyers were connected to these factories through supply chain data at the time of the original investigation; the current status of their business relationships with these suppliers, including whether and when they stopped purchasing from them, varies.

\* Leading Lady stated they ended their business relationship with Classita almost one year prior to meeting with Transparentem in December 2020.<sup>6</sup>

\*\* HBC is a purchaser from Macy’s, and does not work directly with suppliers, therefore both companies agreed that Macy’s would take action on behalf of both buyers.

Centric Brands and Under Armour commissioned Impactt to follow-up on Transparentem’s findings during an audit at K.N Lee in August 2023.<sup>7</sup> The buyers provided a corrective action plan (CAP) developed as a result of this audit, though they did not supply Transparentem with a copy of the audit report. The CAP states that there were issues related to the health and safety of workers in company-provided hostels, worker access to passports, recruitment fees, oversight of recruitment agencies, and requiring a deposit for workers to travel home. The CAP lists responsive actions undertaken or planned, with some issues already reportedly remediated and others to be completed by September 2024.<sup>8</sup>

LRQA conducted an assessment of Ghim Li for Macy’s in January 2024 as well as a survey of workers. Macy’s provided a summary of the findings, but did not provide a copy of the results to Transparentem. Therefore, Transparentem cannot verify the findings as reported by Macy’s. The summary states there are low risks in a number of areas, including the payment of recruitment fees by migrant workers, the ability to resign freely, overtime work and payment, and working and living conditions. It also states that Ghim Li has a policy in place with agents informing them they are not to charge workers fees; further, it reports that Ghim Li has a policy that if workers did pay fees, factory management would reimburse them within 90 days.<sup>9</sup>

None of the buyers originally engaged by Transparentem (Bravado, Leading Lady, and Viania) responded to Transparentem’s 2023 outreach—and, unlike the other two factories, Classita itself did not submit responses to a questionnaire on conditions at the factory as Transparentem requested. The failure of Classita’s buyers to remediate the serious issues identified in both the original investigation and follow-up monitoring leaves these workers at risk of further exploitation. Classita workers interviewed have consistently identified bad conditions, such as deception and retention of identity documents. Apart from limited repayment, there was very limited remediation by companies. Therefore, Transparentem is concerned that Classita workers likely continue to face harrowing conditions.

This report is a call for action to protect vulnerable workers at all three factories, especially Classita. Among other key actions described in the Call to Action section of this report on page 29 buyers and suppliers together should:

- Reimburse workers for 100 percent of recruitment fees and related costs and ensure that newly hired workers do not pay such fees.
- Ensure workers are not deceived at any point during the recruitment process.
- Guarantee that workers can resign without penalties and reimburse any former worker who has paid a penalty to resign.
- Ensure workers have free access to their passports at all times at Classita and K.N. Lee.
- Pay workers in full, meeting minimum wage requirements and including overtime work, end all exploitative charges and fees, and reimburse workers for past underpayments and exploitive charges and fees at Classita and Ghim Li.
- Guarantee good quality living and working conditions.

“When they demanded that money from me, then I had to choose to sneak out of this company.”

– **Classita worker who said their manager threatened them with a \$1,190 fee if they resigned**

More work must be done to ensure workers are treated with dignity and can work freely. This project reveals that improving conditions requires cooperation between buyers, suppliers, civil society, and other key actors. Transparentem urges buyers to continue these relationships and work collaboratively with their suppliers to help make Malaysia a model destination for migrant labor.

## About Transparentem

Transparentem transforms industries by allying with workers and communities to uncover abuses in global supply chains and drive labor and environmental justice.

A catalyst for systemic change, Transparentem spurs companies to play a critical role in remediating abuses at the worksites where they source their products. Through in-depth investigations, strategic engagement with companies, and policy advocacy, we strive to drive change across entire industries.

We choose our areas of focus for the greatest impact, investigating endemic abuses—including child labor, forced labor, and gross environmental degradation—that affect the health and welfare of thousands of workers and their communities. Ultimately, through collective action and collaboration, we strive to fundamentally transform industry practices and bring real, tangible justice to some of the world’s most vulnerable populations.

We are philanthropically funded by foundations and individuals and are tax-exempt in the United States under Section 501(c)(3) of the Internal Revenue Code.

## Timeline of Transparentem’s Investigation, Responses, and Related Events

November 2019-February 2020	Transparentem conducts its original investigation
March 2020	K.N. Lee begins reimbursing workers for recruitment fees
August 2020	Ghim Li begins reimbursing workers for recruitment fees
November 2020	Transparentem begins outreach to 10 buyers connected to the investigated factories
November-December 2020	Transparentem presents investigative findings and recommendations to eight buyers
February 2021	Tenaganita, a Malaysian NGO, conducts an audit of Classita, which was commissioned by Bravado
February 2021	Verité conducts an audit of K.N. Lee, which was commissioned by the K.N. Lee buyer group
February 2021	Classita devises a three-year recruitment fee repayment plan
March 2021	A third-party consultant conducts an audit of Ghim Li, which was commissioned by Macy's
April 2021	Transparentem conducts follow-up interviews with migrant workers at Classita
July 2021	Ghim Li completes recruitment fee reimbursements
December 2021	K.N. Lee completes recruitment fee reimbursements
February 2022	Transparentem discloses its report on its findings and progress to date to buyers and select stakeholders



March 2022	Verité conducts an assessment at K.N. Lee on behalf of buyer group to verify the findings of Transparentem's report
March 2022-January 2023	Transparentem conducts follow-up interviews with migrant workers at all three suppliers.
July 2022	Under Armour conducts an assessment at K.N. Lee
December 2022	ELEVATE conducts an assessment at Ghim Li on behalf of Macy's
April 2023	Transparentem shares updates from follow-up interviews with Classita, Ghim Li, K.N. Lee and their buyers
May 2023	ELEVATE conducts an assessment at Ghim Li on behalf of Macy's to verify Transparentem's update from follow-up interviews
August 2023	Impactt conducts an assessment at K.N. Lee on behalf of the buyer group
January 2024	LRQA conducts an assessment at Ghim Li on behalf of Macy's



▲ The locations of Classita (M) Sdn. Bhd., Ghim Li Fashion (M) Sdn. Bhd., and K.N. Lee Knitting Industries Sdn. Bhd. in Malaysia.

# 2.0 Overview of Original Investigation

In response to reports of endemic forced labor and exploitative recruitment in Malaysia’s garment industry, in November 2019, Transparentem initiated an investigation into hardships experienced by foreign migrant workers at three Malaysian garment factories. The investigation uncovered evidence of multiple forced labor indicators as described by the International Labour Organization (ILO), including deception, retention of identity documents, abusive living and working conditions, withholding of wages, and debt bondage (connected to workers’ payment of recruitment fees). According to the ILO, finding multiple indicators at a facility may point to a forced labor situation.<sup>10</sup>

Transparentem’s findings align with other reports about foreign migrant workers in Malaysia. For example, since 2009, the US Department of Labor has consistently included Malaysian-made garments on its biennial list of goods produced with forced labor. The 2020 list said foreign migrant workers in Malaysia frequently faced “high recruitment fees to secure employment that often keeps them in debt bondage . . . [and working] under the threat of penalties, which include the withholding of wages, restricted movement, and the withholding of their identification documents.”<sup>11</sup>

Transparentem’s investigation took place at three Malaysian garment factories: Classita (M) Sdn. Bhd., Ghim Li Fashion Sdn. Bhd., and K.N. Lee Knitting Industries Sdn. Bhd. Between November 2019 and February 2020, investigators spoke with 45 then-current workers (and one worker who had recently left a job at Ghim Li) about the recruitment process and conditions at the three factories.

Transparentem found evidence of the ILO forced labor indicators of debt bondage connected to workers’ repayment of recruitment fees, poor living conditions, and deception, as well as ineffective grievance mechanisms, at all three factories.

**Table 2. Overview of Findings from the Original Investigation (Nov 2019-Feb 2020)**

<b>Evidence of ILO Indicators of Forced Labor</b>	<b>Classita</b>	<b>Ghim Li</b>	<b>K.N. Lee</b>
Debt bondage (recruitment-related)	<b>YES</b>	<b>YES</b>	<b>YES</b>
Deception	<b>YES</b>	<b>YES</b>	<b>YES</b>
Abusive living conditions	<b>YES*</b>	<b>YES*</b>	<b>YES</b>
Abusive working conditions	<b>YES</b>	<b>YES*</b>	Not found
Retention of identity documents	<b>YES</b>	Not found	<b>YES</b>
Withholding of wages	<b>YES</b>	Not found	Not found
<b>Evidence of Other Labor Rights Issues</b>	<b>Classita</b>	<b>Ghim Li</b>	<b>K.N. Lee</b>
Inadequate grievance mechanisms	<b>YES*</b>	<b>YES</b>	<b>YES*</b>
Financial penalties for resigning	<b>YES</b>	<b>YES*</b>	Not found
Discipline by fines	<b>YES</b>	Not found	Not found
Restrictions on freedom of association	Not found	Not found	<b>YES*</b>
Compulsory overtime	Not found	<b>YES*</b>	Not found
Audit deception	<b>YES*</b>	<b>YES</b>	Not found

\* Transparentem’s investigation found limited evidence of this potential problem.

Nearly all interviewed workers said they paid recruitment fees and related costs in their home countries. Bangladeshi interviewees reported the steepest recruitment fees, paying agents between 330,000 (\$3,882) and 450,000 Bangladeshi taka (\$5,294), while Nepali interviewees at K.N. Lee and Classita said they paid 90,000 to 150,000 Nepalese rupees (\$791 to \$1,319). Indonesian interviewees at Ghim Li reported paying between 2 million and 13 million rupiah (\$144 and \$936) to secure their jobs. Some paid recruitment fees to agents, while others paid directly for their own recruitment-related expenses, including passports, medical tests, and travel costs. One interviewee said she did not pay fees in Indonesia. The Bangladeshi workers at K.N. Lee are not included in these ranges, as they previously worked at other garment factories in Malaysia, so no recruiters in Bangladesh were involved in their hiring by K.N. Lee.

In addition, two Classita workers said recruitment agents told them to lie if factory staff asked about how much they paid in recruitment fees in Bangladesh. “The agent told us that if anyone from the company asks, we paid 160,000 taka [\$1,882]<sup>12</sup> to come here,” one worker said. “But we have paid more than double that amount.” Both said factory staff never asked them how much they had paid.

Workers at two factories—Classita and K.N. Lee—said they could not access their passports freely. Additionally, Transparentem found evidence of disciplinary fines at Classita, compulsory overtime at Ghim Li, and restrictions on workers’ freedom of association at K.N. Lee. And at Classita and Ghim Li, workers described abusive working conditions, financial penalties for resigning, and apparent cases of audit deception.

Many workers said they regretted the decision to migrate to Malaysia but felt they could not leave, even

though earnings and conditions were often far worse than promised. Some said they did not have their passports or would have to pay financial penalties to break their contracts. Many workers also said they felt trapped by recruitment-related debts, which they could not repay by working in their home countries, where wages are lower.

## **Factory and Buyer Responses to Original Investigation**

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In response to Transparentem's outreach, which began in November 2020, eight of the ten contacted buyers met with Transparentem to discuss the investigation's findings. Six buyers then engaged directly with their suppliers to address conditions for workers. Transparentem's engagement resulted in notable areas of improvement reported at K.N. Lee, some areas of improvement reported at Ghim Li, but far less improvement reported at Classita. Beyond the initial meetings, Transparentem remained in touch with each of the engaged buyers, providing feedback on remediation. Prior to publicly disclosing its investigation, Transparentem contacted the three suppliers for comment.

The six engaged buyers reported that repayment programs for workers' recruitment fees had been established at all three suppliers. Across the three suppliers, companies reported repayment plans that would ultimately provide partial financial remedy to 800 workers via reimbursements totaling nearly \$700,000. K.N. Lee and Ghim Li had begun their repayment programs before Transparentem's outreach. All three suppliers told Transparentem that pressure from buyers, or evolving standards within the industry, had spurred the establishment of these programs.

Macy's told Transparentem that it pushed for faster repayment at Ghim Li, which then reported that it had indeed accelerated payments and completed them by July 2021. The repayment plan at K.N. Lee reportedly concluded at the end of 2021. This plan incorporated additional recruitment costs borne by workers beyond their fees, at the urging of K.N. Lee's buyers.

However, at Classita, buyers reported that each worker would be paid in installments over a three-year period. Such a plan ran the risk of debt bondage over a prolonged period since such a lengthy plan could coerce workers to remain on the job until repayment was complete. When suppliers do not have readily available funds or financial backing from buyers to pay back worker-borne recruitment fees, it could result in longer repayment periods.

No buyer helped finance these repayment schemes. When buyers fail to contribute to these repayments, the cost of production for the supplier increases, leaving suppliers to bear the burden of social compliance rather than buyers and their consumers and potentially incentivizing suppliers to commit labor and environmental abuses to cut costs elsewhere. Ultimately, buyers fell short of Transparentem's recommendation to both suppliers and buyers to fully repay workers for their recruitment fees.

In addition to the repayment plans, companies reported progress towards relieving hostel overcrowding and establishing new grievance mechanisms at K.N. Lee and Ghim Li. K.N. Lee buyers also reported improvements to fire safety in the dormitories, migrant workers' freedom of association, and oversight of recruitment agents' ethical compliance.

Buyers' follow-up assessment at K.N. Lee suggested that workers' passports should be stored in their living quarters, where they could access them freely, rather than at the factory. An audit of Classita in February 2021, contracted by one of the buyers and implemented by the local migrant-worker-focused NGO Tenaganita, concluded that the placement of workers' passports near a guard station in the factory was acceptable. However, in April 2021 and during follow-up interviews in 2022, all interviewed workers at Classita continued to report barriers to accessing their passports.

# 3.0 Follow-Up Findings and Company Responses

In 2022 and 2023, investigators spoke to workers at all three factories to follow-up on whether conditions had improved since Transparentem’s original investigation. At K.N. Lee and Ghim Li, investigators focused on verifying whether the commitments that had been made in the corrective action plans (CAPs) for those two manufacturers had been implemented. At Classita, where buyers had reported little improvement—and Transparentem was not informed of any CAP being developed—investigators focused on the issues identified during the original investigation.

This section first goes through each problem reported during follow-up interviews at Classita and any remedial steps taken. Then, this section reviews remediation commitments that buyers made at K.N. Lee and Ghim Li, whether Transparentem found they were met, and additional feedback and updates from buyers and suppliers.

## **Classita: A Problem Factory with No Solution from Buyers**

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Transparentem continued to find workers reporting serious issues at Classita, including many issues that may constitute ILO indicators of forced labor.

Although Transparentem shared these alarming findings in April 2023 with the three Classita buyers it had identified - Bravado Designs, Leading Lady, and Viania – none of the buyers answered repeated requests to respond to these findings and take remedial action. Leading Lady stated that it ended its business relationship with Classita approximately one year prior to meeting with Transparentem in December 2020. Bravado reported that they formally dissolved their vendor relationship with Classita in 2023. Viania did not provide comments on the status of their business relationship. With no assurance that Classita buyers were working to improve conditions for these workers in response to our findings from follow-up interviews, concerns remain that the situation may remain dire.

Bravado reported to Transparentem in August 2024 that it formally dissolved the buying relationship with Classita due to “serious concerns... around the management of the Classita factory and the Caely Holdings board” and “Classita’s inability to meet Bravado Designs vendor certification requirements for WRAP and SA8000.”<sup>13</sup> These certifications were meant to help ensure that Classita met specific ethical

and responsible business standards. Transparentem highly encourages buyers to work with suppliers to fix issues, rather than cutting business ties. The Organisation for Economic Cooperation and Development (OECD) has recommended severing business ties only “after failed attempts at preventing or mitigating impacts, . . .where the enterprise deems preventing or mitigating impacts not feasible, . . . [or] when the enterprise has identified severe harm.”<sup>14</sup>

Classita told Transparentem it would complete a questionnaire regarding the follow-up findings and any remedial action it had taken, but never did so.<sup>15</sup>

The issues investigated at Classita and discussed below are:

- Recruitment fee reimbursements
- Financial penalties for resigning
- Overcrowding in company hostels
- Retention of identity documents
- Deception during recruitment
- Withholding of wages
- Allowing work visas to lapse
- Audit deception

## Issues Investigated at Classita

### Recruitment Fee Reimbursements

All Classita interviewees reported receiving partial recruitment-fee reimbursements, although none of the repayments covered 100 percent of recruitment-fee-related costs borne by these workers.

In February 2021, Classita reported that workers would be repaid on a lengthy three-year timeline set to conclude in June 2024. Such a timeline, Transparentem noted at the time, could perpetuate the risk of debt bondage. If buyers had also contributed to repayments, it is possible that the timeline could have been significantly shortened. Several Classita interviewees said they believed that if they quit before the repayment period ended, the factory would not give workers their outstanding payments or would give them less than they were owed.

Amfori BSCI, an industry association in which Classita buyer Viania holds membership, confirmed that Classita was repaying workers for their recruitment fees on a lengthy three-year timeline.<sup>16</sup> We recommend that organizations explicitly state and abide by expectations for quick repayment timelines.

The interviewees who recently departed Classita received none, or only a portion, of their recruitment fee reimbursements. Several other workers said Classita sent them home without providing the



recruitment-fee reimbursements owed to them upon departure, in violation of Classita’s repayment plan. (These interviewees also described how factory management required them to sign documents that they could not fully read, and one worker said the documents falsely stated that the worker received a larger recruitment-fee reimbursement than he actually had.)

### **Financial Penalties for Resigning**

Three Classita workers said factory staff told them that, in order to leave, they needed to pay the company back for the remaining visa costs. One worker estimated these costs to be around 2,400-2,500 ringgit (\$571-\$595), while a second worker said they would come to 154 ringgit (\$37) per month for the remainder of their visa.

Additionally, two Classita workers who had recently left without their passports said that when they had asked about resigning, managers threatened them with a 5,000 ringgit fee (\$1,190), which was more than four times the monthly base pay at the time.

### **Overcrowding in Company Hostels**

Several Classita workers said between 30 and 150 people shared sleeping areas (some of which were partitioned open areas). One worker likened his hostel to a “barn house in Bangladesh” for cows. A few Classita workers subsequently said their hostels were no longer at full capacity, and two of them said it was because there were fewer workers at the factory.

### **Retention of Identity Documents**

All Classita interviewees said the manufacturer continued to hold their passports. Two workers who fled from Classita before their contracts ended said they did not have their passports, a clear indication that they could not access them freely.

By retaining workers’ passports, Classita worsened workers’ vulnerability and intensified pressure on them to remain in their jobs. One Classita worker said, “I cannot go to another company directly because the passport is with the company... How can we work with another company?”

One Classita worker likened his hostel to a “barn house in Bangladesh” for cows.

### **Deception During Recruitment**

Classita workers provided new details about problems with their contracts. Several workers said their contract was not in their native language, while a number of other workers said theirs was. One interviewee said his contract omitted important details, such as the name of his factory. Some workers said they were not given a copy of their contract, while one interviewee said he had a copy.

Many workers said they did not have enough time to review the contracts they signed, both in their home countries and in Malaysia. One worker said he had less than two minutes to review his contract.

Several workers said they did not see their contracts until after they paid most of their recruitment fees. One worker said he learned that his agent had deceived him about the nature of his job when he saw the contract. He said he no longer wanted to migrate but felt he had to, as his relatives reminded him that he had to repay his debt.

### **Withholding of Wages**

Most Classita interviewees continued to report wage withholdings that totaled 800 ringgit (\$196). Several workers said the factory would only return the 800 ringgits once their visas expired and they left Classita permanently. The two interviewees who had left Classita said they lost this 800 ringgit “deposit” when they departed.

“Every worker has a key. When the audit team comes, they answer that the workers have the keys with them, . . . they can take the passports out whenever they want to. But that is not true. It’s all a lie.”

– Classita worker

More than half of the interviewees said that at the time investigators spoke to them, Classita had not paid them between one to four months’ salary. As a result, one worker said, he took out loans so he could afford food and other necessities. Another worker said the company continued to charge an accommodation fee despite not paying wages. Two workers that Classita sent home indicated that the factory eventually repaid the withheld wages.

### **Allowing Work Visas to Lapse**

Three interviewees, who said they were part of a group of workers that Classita had ordered to leave Malaysia, stated that the factory allowed their visas to lapse for one to two years (making them undocumented workers) and then arranged work permits through the Malaysian government’s temporary rehiring program. Two workers said factory management deducted 4,000 ringgit (\$910) from their wages when Classita processed these permits.

Several workers said their visas had expired, and one of these interviewees said 40 to 50 other workers also had expired visas. One worker said his visa was current.

### **Audit Deception**

A number of workers described audit deception at Classita. Two interviewees explained how auditors were tricked into thinking that workers had access to their passports. One worker stated: “Every worker has a key. When the audit team comes, they answer that the workers have the keys with them, . . . they can take the passports out whenever they want to. But that is not true. It’s all a lie.”

Three interviewees said the factory carefully selected the workers who spoke to auditors, and two mentioned that these workers typically had higher than average earnings or overtime hours and were, therefore, more likely to speak favorably about the company.

## **Ghim Li and K.N. Lee: Some Progress, but Problems Persist**

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This section of the report will describe the problems identified at Ghim Li and K.N. Lee that persisted or were found during the 2022/2023 follow-up interviews, review the factories' associated remediation commitments and an assessment of whether each commitment has been implemented and provide further information about the responses of buyers and suppliers.

Unlike Classita’s buyers, buyers from Ghim Li and K.N. Lee worked closely with the factories to remediate the problems identified in Transparentem’s original investigation, which led to some improvements, including some relief of overcrowding in hostels and the establishment of new grievance mechanisms at both factories. This progress, albeit uneven, shows how active engagement by buyers and their suppliers can lead to real improvements for workers and lays bare how inaction at suppliers like Classita leaves workers at a greater risk of forced labor.

Transparentem initially approached two Ghim Li buyers, Macy’s and Hudson’s Bay Co. (HBC), as Transparentem had information these companies were sourcing from Ghim Li at the time of the original investigation. Both companies agreed that Macy’s would take remediation forward, as “Macy’s produces private label merchandise, of which Hudson’s Bay is a purchaser.”<sup>17</sup>

Macy’s said it received an audit report for Ghim Li from Intertek in 2022, following the disclosure of Transparentem’s initial report.<sup>18</sup> It commissioned ELEVATE to conduct an audit in December 2022. Macy’s also commissioned ELEVATE to conduct a verification audit at Ghim Li in May 2023, which followed-up on Transparentem’s monitoring findings.<sup>19</sup> LRQA conducted an assessment for Macy’s at Ghim Li in January 2024 and a worker survey. Transparentem received a summary of the results, but no corrective action plan or audit report.<sup>20</sup>

Transparentem had information that five buyers were sourcing from K.N. Lee at the time of the original investigation: Buck Wear, Centric Brands, H. Best, Inventory Trading Company, and Under Armour. Four of these five buyers, all except for Inventory Trading Company, initially formed a K.N. Lee buyer group to work together on remediation. This group commissioned Verité to conduct an assessment in

March 2022 to verify corrective actions at the factory following the disclosure of Transparentem’s initial report. The buyer group said Under Armour also conducted its own assessment in July 2022 “that investigated migrant worker issues previously identified in its action plan.”

Buck Wear and H. Best exited the K.N. Lee buyer group in 2023; Buck Wear said it had stopped sourcing from the factory, and H. Best cited a diminished sourcing relationship with K.N. Lee. Centric Brands and Under Armour continued to work together on remediation. H. Best shared a 2023 CAP that K.N. Lee developed, which touched on Transparentem’s findings from follow-up interviews.<sup>21</sup> H. Best told Transparentem that it “will communicate with K.N. Lee to ask for updates and monitor improvements.”

Centric Brands and Under Armour commissioned an audit by Impactt that was completed in August 2023. Transparentem received the subsequent CAP but not the full audit report. Transparentem also received a version of this CAP that was updated in February 2024. The CAP covered the areas of workers’ accommodation (remediation listed as “in progress,” with a due date of September 2024), passport retention (status listed as “closed”), recruitment fees (remediation listed as “in progress,” with a due date of September 2024), oversight of recruitment agencies (remediation listed as “in progress,” with a due date of June 2024), and payment of deposits (remediation listed as “in progress,” with a due date of September 2024).<sup>22</sup>

Transparentem did not receive any copies of full audit reports from any buyers - but did receive some corrective action plans (CAPs) and summaries of results from buyers.

The issues investigated at Ghim Li and K.N. Lee and discussed below are:

- Worker-borne recruitment fees and related costs
- Financial penalties for resigning or taking leave
- Overcrowding in company hostels
- Insufficient grievance mechanisms at Ghim Li
- Underpayment of overtime at Ghim Li (newly identified issue)
- Problems with factory-organized transportation at Ghim Li (newly identified issue)
- Retention of identity documents at K.N. Lee

## **Issues Investigated at Ghim Li and K.N. Lee**

### **Worker-Borne Recruitment Fees and Related Costs**

There were multiple issues related to worker-borne recruitment fees and related costs: reimbursing workers who had already paid fees, implementing policies to ensure new hires did not pay fees (at Ghim Li), and ensuring greater oversight of recruitment agents (at K.N. Lee).

All Ghim Li interviewees and almost all K.N. Lee interviewees reported receiving some recruitment fee reimbursements.

**Ghim Li and K.N. Lee remediation commitment:** Reimburse workers according to the determined repayment plan.

**Commitment implemented.** However, the commitment did not lead to 100 percent reimbursement of workers' recruitment-related expenses.

**Ghim Li remediation commitment:** A new policy that recruitment fees will be "borne by the company."

**Unknown implementation.** Transparentem's investigators could not speak with newly arrived workers during its follow-up interviews at Ghim Li.

**K.N. Lee Remediation commitment:** "Greater oversight by K.N. Lee of its recruitment agents' ability to comply with the companies' human rights standards."

**Unknown implementation,** but concerns remain. Workers, employed by a company contracted by K.N. Lee, reported they paid fees.

### Buyer and Supplier Responses

Ghim Li buyer Macy's, the K.N. Lee buying group, and K.N. Lee buyer H. Best confirmed that workers had been reimbursed for recruitment fees according to the factories' partial repayment plans.

Ghim Li buyers also reported that there would be a new policy implemented that recruitment fees would be borne by the company. Transparentem's investigators could not speak with newly arrived workers during its follow-up interviews at Ghim Li. Therefore, Transparentem cannot confirm whether newly arrived workers paid or were reimbursed for recruitment fees.

Macy's said that during the 2023 verification audit at Ghim Li, ELEVATE spoke to eight workers hired in February 2023, of which four said they paid for passport processing fees.<sup>23</sup> Macy's said that Ghim Li reimbursed these workers for these fees in line with its policies.<sup>24</sup> Ghim Li said its policy was to pay for 100 percent of workers' recruitment fees, and that the factory reimbursed workers for any expenses they paid within 90 days. Macy's reported that the 2024 assessment conducted by LRQA confirmed there was a policy in place at Ghim Li that prohibited worker-borne fees and procedures in place to discuss recruitment related issues with workers pre- and post-arrival in Mauritius.<sup>25</sup>

Ghim Li confirmed to Transparentem that this policy was in place and also said it paid for all workers' recruitment fees before they departed their home country.<sup>26</sup> Ghim Li told Transparentem that workers signed declarations in both English and their native language stating that they did not pay recruitment fees.<sup>27</sup> Ghim Li also told Transparentem that it reimburses any worker who says they paid fees on the declaration. Unfortunately, workers could be encouraged to lie about any fees they paid if they fear that being truthful could jeopardize their employment. Requiring workers to report whether they have paid

recruitment fees and related costs also places a burden on workers to address a problem that should be dealt with by the suppliers and buyers.

The K.N. Lee buyer group said that Verité’s March 2022 audit confirmed that all workers who had paid recruitment fees and related costs received reimbursements by December 2021, except for workers who had run away or resigned.<sup>28</sup> The group said K.N. Lee reported that factory management and current workers had tried and failed to contact runaway workers so they could receive their reimbursements.<sup>29</sup>

Centric Brands and Under Armour commissioned an audit of K.N. Lee by Impactt that was conducted in 2023. The subsequent CAP states that recruitment fees incurred by workers since 2021 had not been identified or repaid and a recruitment fee declaration form, used to determine if workers paid fees, was not effective. The CAP states that the audit identified four workers who reported only partial repayment of recruitment fees and one worker who was not reimbursed. It highlighted that fees workers reported paying more recently were lower than the amounts workers historically reported. The CAP states that the one worker previously not reimbursed had already received repayment. The CAP also states that all workers hired after 2018 were identified and their recruitment expenses are being covered by the factory. The CAP stated that the fee declaration form would be improved and communicated to workers by September 2024.<sup>30</sup>

One interviewee, who K.N. Lee hired through Malaysia’s rehiring program less than a year before their Transparentem follow-up interview, did not report paying recruitment fees.

The K.N. Lee buyer group said the factory has policies on the oversight of recruitment agents, but procedures to implement the policies were inadequate. The 2023 CAP from Impactt, for example, states that K.N. Lee conducted “light touch” assessments with two of its three disclosed recruitment agencies that were not sufficiently thorough and that there were no efforts to identify sub-agencies.<sup>31</sup>

K.N. Lee, and the CAP provided by H. Best, said the factory ensures oversight of recruitment agents by communicating its policy that workers pay no recruitment fees to sending country agents, as well as having workers sign a declaration form stating whether or not they paid fees. The buyers reported that, according to the Verité verification assessment, any workers who stated they paid fees are promptly reimbursed.

The K.N. Lee buyer group said the factory has policies on the oversight of recruitment agents, but procedures to implement the policies were inadequate.<sup>32</sup> The 2023 CAP from Impactt, for example, states that K.N. Lee conducted “light touch” assessments with two of its three disclosed recruitment agencies that were not sufficiently thorough and that there were no efforts to identify sub-agencies.<sup>33</sup> It states that K.N. Lee communicated that “it is expecting the recruitment agencies to complete third-party ethical audits by June 2024” and to submit CAPs.<sup>34</sup> According to buyers, the 2022 Verité verification assessment found that K.N. Lee’s policies require verification that workers paid no fees to recruitment

agents in the sending countries; while it originally provided no guidance on how to carry out that work, the factory later reportedly developed and began implementing a recruitment fee declaration form.<sup>35</sup> The assessment found that some Indonesian workers hired in 2019 had been instructed by their recruitment agents not to disclose to the factory that they paid for some recruitment-related costs, such as transportation to the Jakarta International Airport.<sup>36</sup> Therefore, these workers had not been reimbursed for these expenses. The verification assessment also said, “Current procedures do not as yet include a clear enumeration or definition of recruitment-related fees or costs which may be borne by the worker, and which must be borne by the employer.”<sup>37</sup> The buyer group said it would work with K.N. Lee “to improve its management systems.”

K.N. Lee, and the CAP provided by H. Best, said the factory ensures oversight of recruitment agents by communicating its policy that workers pay no recruitment fees to sending country agents, as well as having workers sign a declaration form stating whether or not they paid fees.<sup>38</sup> According to the Verité verification assessment, any workers who stated they paid fees are promptly reimbursed.

### **Penalties for Resigning or Taking Leave**

Several interviewees at Ghim Li and the majority of interviewees at K.N. Lee said that if they left the factory before their visas expired, the factory would charge them the balance of a levy—an annual government fee that companies pay to employ a foreign worker.<sup>39</sup>

The other interviewees at Ghim Li said they could not resign before their visas expired.

Almost all interviewees at K.N. Lee said that if they took a vacation or went home temporarily, the factory required a deposit, which would be returned when workers came back.

**Ghim Li remediation commitment:** Improve communication about Ghim Li’s policies, which state that the company does not charge workers fees for resigning.

**Commitment not implemented effectively.**

**K.N. Lee remediation commitment:** End financial penalties for resigning early.

**Commitment not implemented.** Workers stated that K.N. Lee would charge them the balance of a levy if they resigned before their visa expired.

### **Buyer and Supplier Responses**

Macy’s said that although a 2022 ELEVATE audit found that no Ghim Li workers paid financial penalties for resigning, the 2023 verification audit found that 29 percent of workers surveyed believed they would need to pay a penalty if they resigned.<sup>40</sup> To address workers’ misunderstanding of the Ghim Li policy, ELEVATE developed a corrective action plan in the summer of 2023 that included retraining

factory management on the policy and clarifying with workers that they would pay no penalties for resigning.<sup>41</sup> Macy's said that Ghim Li informed the buyer in August 2023 that the factory completed a two-day training with management on the policy.<sup>42</sup> Macy's stated the 2024 worker survey showed a "low risk of not being able to voluntarily terminate employment."<sup>43</sup>

The Impactt CAP for K.N. Lee states that, after a discussion in August 2023 with K.N. Lee leadership and others, the factory stopped charging any levy to the workers.<sup>44</sup> An earlier version of the CAP stated that workers traveling home on leave were responsible for paying the full cost of a return flight home in cash and then were reimbursed for half upon their return to work in Malaysia. The CAP noted that this "may still be considered a deposit to take home leave."<sup>45</sup> It also noted that these payments were often in cash and difficult to verify. The Impactt CAP states that "the factory alleges they do not require migrant workers to provide a deposit when they take leave" but that the factory is expected to review and revise the Home Leave Policy by September 2024.<sup>46</sup>

"If we go willingly, we need to pay for the levy until the period for which our visa is valid. If we go for a holiday, [the factory] keeps hold of the amount that is required for the validation period of the visa. They give it back once we come back."

– K.N. Lee worker

The K.N. Lee buyer group said that audits conducted by Verité and by Under Armour in 2022 did not find evidence that workers paid any penalties for resigning.<sup>47</sup> The CAP provided by H. Best stated that K.N. Lee does not require migrant workers to pay a deposit to take vacation.<sup>48</sup>

K.N. Lee said, "If it is discovered that our staff charges fees when workers resign before their visas expire, our company will conduct a thorough investigation and take appropriate action to address such reports."<sup>49</sup>

### Overcrowding in Company Hostels

All Ghim Li interviewees said that overcrowding persisted in company hostels even though Ghim Li built a new hostel in an attempt to resolve the issue. Ghim Li workers said 10 people lived in rooms that were suitable for four to six people.

Ghim Li workers described other poor living conditions. Several workers said their rooms were hot. More than half of the interviewees said the hostel did not have enough bathrooms, which often resulted in lines for the facilities after work. One worker said the wait could be as long as an hour. Two workers said the bathrooms were fine.



All interviewed Ghim Li workers who lived in factory-provided housing described problems with the food. Most interviewees said they would prefer to cook for themselves but could not, which some attributed to an insufficient number of stoves in their hostel. These workers said they had to buy food from the canteen or restaurants, which was more expensive than cooking for themselves. Some interviewees clarified that the lack of stoves was a problem in the new hostel. Other workers said that they did not like the factory canteen's food.

“It is difficult to eat and difficult to live. At present, how we have been kept, it feels like a second jail.”

— Ghim Li worker

None of the K.N. Lee workers who discussed the topic said overcrowding was an issue, a sign that conditions had improved.

**Ghim Li remediation commitment:** Build a new hostel to relieve overcrowding issues.  
**The commitment was not implemented effectively** because it did not resolve overcrowding.

**K.N. Lee remediation commitment:** Relief of overcrowding in company-provided hostels.  
**Commitment implemented.**

#### Buyer and Supplier Responses

Macy's reported that the 2024 LRQA audit of Ghim Li showed that male workers shared a 10-bed dorm room with bunk beds while the female workers shared a 4-bed dorm room with bunk beds.<sup>50</sup> Macy's said that the 2023 ELEVATE audit confirmed that workers did not have their own stoves, but according to the assessment, workers did not mind it, in contrast to Transparentem's findings.<sup>51</sup>

Ghim Li said there were no reports from workers of overcrowding, and stated that “we comply to government standards for the dormitory that our workers are staying in.”<sup>52</sup>

The 2023 Impactt CAP for K.N. Lee did not list overcrowding as a finding; however, “inadequate health, safety, and hygiene conditions in accommodation were identified,” such as issues with food safety, pest control, cooling, mold, and a lack of privacy screens in beds.<sup>53</sup> The CAP recommends that internal audits must take place at least once per month and address stated issues as well as collect workers' feedback for continuous improvement; the CAP stated that this recommendation was in progress, with a due date of September 2024.<sup>54</sup>

The 2022 Verité verification assessment of K.N. Lee found that the size of the dorms did “not meet the requirements outlined in the worker's accommodation regulation.”<sup>55</sup> The buyer group also said K.N. Lee was obligated to “take immediate steps to obtain a Certificate of Accommodation for all locations that house FCWs [foreign contract workers] and submit a copy to us.”<sup>56</sup> The 2022 verification assessment found that male dorms had not yet received the certificate as required by law.<sup>57</sup> The K.N. Lee CAP

provided by H. Best noted that the factory had “diligently restructured the dormitory environment for every employee, aligning with the Housing and Amenities (Amendment) Act 2019.”<sup>58</sup>

Transparentem investigators did not ask K.N. Lee about overcrowding during follow-up interviews since earlier worker interviews indicated that issues with overcrowding had been addressed.

### **Insufficient Grievance Mechanisms at Ghim Li**

Several workers said factory management was not responsive to their complaints, either because they did not have an opportunity to submit complaints, because the factory would not take action based on complaints, or because staff did not listen to grievances. One interviewee said that if workers complained to factory management about conditions, “They don’t take this positively. They think that we are just workers, not human beings.”

Some workers said factory management was responsive to complaints.

One interviewee said that while factory management had become more responsive to complaints about the hostel, the lack of responsiveness to workplace problems remained unchanged.

**Remediation commitment:** A new email channel for grievance mechanisms.

**Unknown implementation.** Several workers reported that factory management was not responsive to their complaints.

### **Buyer and Supplier Responses**

ELEVATE’s May 2023 verification audit found that workers feared reprisals if they filed a complaint, despite Ghim Li updating its policies at Macy’s request in March 2023 to explicitly state that workers could complain without retaliation.<sup>59</sup> Macy’s said it shared its concerns about the gap between Ghim Li’s stated policy on the grievance mechanism and “workers’ perception of their ability to freely express concerns.”<sup>60</sup> Macy’s said Ghim Li had agreed to communicate with workers about the grievance mechanisms so they better understood the policy.<sup>61</sup> Macy’s reported that the 2024 worker survey “indicated [workers] had high trust in Ghim Li’s key feedback channels: management/supervisors, suggestion box, and the workers’ committee” and “showed low risk of intimidation or retaliation after raising concerns or making a complaint.”<sup>62</sup> A summary of the results was shared with Transparentem but not the actual survey results.

### **Underpayment of Overtime at Ghim Li (newly identified issue)**

Some interviewees described problems with overtime pay during Transparentem’s follow-up interviews at Ghim Li. Several workers said the factory had raised production targets. A few interviewees said that if workers did not meet production targets, the factory would not pay them the higher rate for overtime hours.

“[Work pressure] has increased a lot,” a worker said. “Now, we are given targets and if we are not able to achieve them, then overtime [pay] is not given properly.” Another interviewee said he received the correct overtime pay but that workers in the production unit did not.

One worker said that if there was significant overtime, the company would deduct some money from overtime pay.

Two interviewees said that overtime was paid correctly.

#### Buyer and Supplier Responses

Macy’s said that LRQA’s 2024 worker survey found “low risk of not receiving accurate or timely payments and low risk of not understanding wage calculations.”<sup>63</sup>

Ghim Li told Transparentem, “If there are any discrepancies on underpaid overtime wages, our HR will work with our payroll to ensure payment is made to the workers within 5 working days.”<sup>64</sup>

#### **Problems with Factory-organized Transportation at Ghim Li (newly identified issue)**

Some Ghim Li workers said they faced lengthy commutes of up to 90 minutes each way because there were not enough factory-organized buses from the company-provided hostel to the factory. One worker said the new hostel was far from the factory. He explained, “The bus is a big problem as our transportation. We have two buses. In order to get inside, we need to push each other. When we finish work, we need to wait a half hour for the bus. We just wait and wait. It takes us one hour for the journey. Within this one hour, we could have cooked and eaten food if we stayed in the previous [hostel].” Another worker said the dearth of buses resulted in crowded conditions.

#### Buyer and Supplier Responses

Macy’s provided details about the bus schedule that Ghim Li gave to LRQA, noting that 3 buses are provided for the 7am shift and 4 buses are provided for the 8am shift and traffic congestion can make the journey take 40 minutes from the dorms to the factory.<sup>65</sup> Ghim Li told Transparentem that “there may be delays subjected to traffic conditions.”<sup>66</sup>

#### **Retention of Identity Documents at K.N. Lee**

All K.N. Lee interviewees said the manufacturer continued to hold their passports. Two K.N. Lee interviewees said the factory would only return passports for a specific reason, such as a medical emergency or a bank transaction. However, several K.N. Lee workers said they could access their passports whenever they needed it, and more than half of the interviewees said they could access their passports as long as they requested it when the factory office was open or when they could speak to factory staff.

**K.N. Lee Remediation commitment:** “Installation of new security lockers in workers’ hostels to provide greater access to passports.”

**Commitment not currently implemented.** All workers said the company held their passports and several workers said that they could not access their passports whenever they wanted.

### Buyer and Supplier Responses

The K.N. Lee buyer group noted that there was room for improvement on access to workers’ passports.<sup>67</sup> The buyer group and the CAP provided by H. Best said that K.N. Lee had developed a policy giving workers full access to their passports, which were to be kept in lockers that workers would have exclusive access to.<sup>68</sup> The buyers reported that the 2022 Verite assessment found that while most interviewed workers said they had full access to their passports, about a fifth of interviewees said their passports were kept in a locked room to which only management had the key.<sup>69</sup> The 2023 Impactt CAP noted that “8% of workers reported that they needed to get permission from HR to collect their passports.”<sup>70</sup> It also noted that male workers were unable to access their passports after hours, since documents were stored in the women’s accommodations, although management denied this storage practice was in place. The CAP states that management responded by ensuring that all passports were returned to migrant workers for storage in their personal lockers, while some workers voluntarily leave their passports in the storage facility provided by management.<sup>71</sup> The CAP, as updated in February 2024, states that all workers had been briefed that they are free to access their passports at any time, but also that not all workers clearly understood this.<sup>72</sup>

K.N. Lee referred Transparentem to its Passport Safekeeping Policy, which ostensibly gives workers full access to their passports.<sup>73</sup> The factory said it only retained workers’ passports for administrative purposes, such as renewing employees’ work permits.<sup>74</sup>

# 4.0 Call to Action

A Classita worker, who said the factory held his passport, told investigators in 2022, “I cannot go to another company directly because the passport is with the company.... How can we work with another company?” No worker should feel trapped in their job. Buyers and suppliers must do more to ensure that the workers at K.N. Lee, Ghim Li, and especially Classita do not face exploitation and are treated with dignity and respect.

## **Buyers and suppliers should work together to:**

- Reimburse workers for 100 percent of recruitment fees and related costs immediately and ensure that new hires do not pay such fees. None of the repayment plans covered 100 percent of the costs that some workers say they incurred. Transparentem urges buyers to work with all three factories to evaluate the effectiveness of the repayment plans and engage with workers to address any shortcomings. Buyers should ensure that new workers do not pay any recruitment fees or related costs. Transparentem urges Classita to accelerate any future repayments and adjust repayment amounts so that workers immediately receive reimbursement of all their recruitment fees and related costs. Peer organizations agree that repayments should be made swiftly. A three-year repayment period, as planned for at Classita, is too long for workers to wait. Impactt's best practice, for example, is to “make all repayments in one lump sum payment within one month” and its minimum recommendation is to “complete all repayments within three to nine months, allowing a maximum of three months for negotiation with stakeholders where relevant.”<sup>75</sup> Suppliers need to ensure that all workers who left employment at the factories before the end of the repayment periods were repaid in full.
- Guarantee that workers can resign without penalties. All three factories must remove all reported obstacles to workers’ departure from the factory, including fees for resigning and forcing workers to pay the balance of government levies when they depart. The factories must inform workers of this policy; it should be clearly posted in workspaces and hostels in workers’ native languages and communicated to them through the recruitment process, in their contracts, and during rights trainings.
- Ensure workers have free access to their passports at all times at K.N. Lee and Classita. Suppliers should provide—and buyers should insist upon—safe storage for passports that remains entirely under workers’ control. Workers should not need management permission to access their passports and should not face any security hurdles that could hinder free access to passports. Any worker who leaves employment must be able to take their passports with them.

- Stop requiring any deposits from workers before they travel or visit home at K.N. Lee. Such policies could potentially restrict workers' freedom of movement, an ILO indicator of forced labor.
- Pay workers in full, including for overtime work, end all exploitative charges and fees, and reimburse workers for past underpayments and charges at Classita and Ghim Li. Classita must stop making any unfair wage deductions. Buyers and Ghim Li must ensure that the factory pays workers the correct rates for overtime work. Buyers must work with suppliers to reimburse workers for past wage withholding, unpaid wages, accommodation fees, and any exploitative fees or costs.
- Buyers must exercise responsible sourcing practices with Ghim Li and ensure that the factory sets reasonable production targets for workers.<sup>76</sup>
- Improve living and working conditions at Ghim Li and Classita. Both factories must eliminate any overcrowding in factory-provided hostels. Ghim Li should ensure that the temperature in hostels is well regulated, workers have access to enough bathrooms, food quality improves, and sufficient cooking facilities are available for workers in hostels. Buyers should work with suppliers to determine how best to address the root causes of problems and consider rights trainings for managers and workers.
- Reform the recruitment process to end worker deception at Classita. Buyers should work with Classita to establish stronger oversight of recruitment agents' practices to ensure they consistently meet these requirements. Buyers and suppliers must ensure that recruitment agents accurately inform workers about the terms of employment in workers' local languages, provide them with accurate contracts, and provide workers with sufficient time to review their contracts before signing them. Workers should have copies of their contracts.
- Be responsible for meeting workers' legal residency and work visa obligations at Classita. All visa terms must be fully and clearly explained to workers. Workers must not pay for any necessary work permits, visas, or other required employment documentation.
- Provide more transportation between hostels and worksites to eliminate commuting delays at Ghim Li. Workers at Ghim Li reported 90-minute commutes to the factory from their hostel, crowded buses, and lengthy waits for transport. Lengthy commutes diminish workers' quality of life and cut into the rest and leisure time that every worker should be entitled to.

The buyers and suppliers cited in this report are not the only actors who need to take action to improve the lives of migrant workers in Malaysia. Other brands and retailers that source from Malaysia should ensure that no workers pay recruitment fees and related costs and that all workers who paid such fees are swiftly reimbursed. They should also ensure that living and working conditions, as well as the recruitment process, meet good standards. And they should ensure that any assessments are specifically designed to capture the type of issues found in Transparentem's investigation and continually develop

and monitor risk assessments for any other issues that are endemic to the sector or to any production country.

Investors in buyers and suppliers operating in Malaysia should demand transparency from their investees regarding preventative actions taken to protect workers in companies' supply chains. They must establish (or enforce) zero-tolerance policies for worker-borne recruitment fees and indicators of forced labor.

The Malaysian government should adopt internationally recognized standards for protecting migrant workers, establish binding, enforceable agreements with worker-sending countries, and ensure that enforcement agencies have adequate resources and authority to investigate forced labor indicators and protect workers.

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- <sup>1</sup> “2023 Trafficking in Persons Report: Malaysia,” United States Department of State (website), 2023, accessed June 1, 2024, <https://www.state.gov/reports/2023-trafficking-in-persons-report/malaysia/>.
- <sup>2</sup> Calculated at the rate of 4.185 Malaysian ringgit to one US dollar, per the “Treasury Reporting Rates of Exchange as of September 30, 2021,” US Treasury Department (website), accessed November 8, 2021, <https://fiscaldata.treasury.gov/datasets/treasury-reporting-rates-exchange/treasury-reporting-rates-of-exchange>.
- <sup>3</sup> “Principles and Guidelines for the Repayment of Migrant Worker Recruitment Fees and Related Costs,” Impactt (website), October 2021, accessed January 24, 2024, <https://impacttlimited.com/principles-for-repayment-of-recruitment-fees/>.
- <sup>4</sup> “Email attachment sent to Transparentem,” (Classita (M) Sdn. Bhd. Responses), July 13, 2021, see appendix A.
- <sup>5</sup> “Email attachment sent to Transparentem,” (Classita (M) Sdn. Bhd. Responses), July 13, 2021, see appendix A.
- <sup>6</sup> “Principles and Guidelines for the Repayment of Migrant Worker Recruitment Fees and Related Costs,” Impactt (website), October 2021, accessed January 24, 2024, <https://impacttlimited.com/principles-for-repayment-of-recruitment-fees/>.
- <sup>7</sup> Leading Lady stated they ended their business relationship with Classita almost one year prior to meeting with Transparentem in December 2020. Call notes from call held on November 13, 2020 on file with Transparentem.
- <sup>8</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.
- <sup>9</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), see K.N. Lee Correct Action Plan August 2023.
- <sup>10</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.
- <sup>11</sup> “ILO Indicators of Forced Labour,” International Labour Organization (website), October 1, 2012, p. 23, accessed January 24, 2024, [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_203882.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203882.pdf).
- <sup>12</sup> “2020 List of Goods Produced by Child Labor or Forced Labor,” US Department of Labor (website), n.d. p72 accessed.
- <sup>13</sup> Calculated at the rate of 85.00 Bangladeshi taka to one US dollar, per the “Treasury Reporting Rates of Exchange as of December 31, 2019,” US Treasury Department (website), accessed October 25, 2021, <https://www.fiscal.treasury.gov/files/reports-statements/treasury-reporting-ratesofexchangeasofdecember312019.pdf>.
- <sup>14</sup> Email to Transparentem from Bravado Designs, August 2024, on file with Transparentem.
- <sup>15</sup> OECD, “OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector”, 2018, p. 79, accessed October 26, 2022, <https://www.oecd-ilibrary.org/docserver/9789264290587-en.pdf?expires=1666795504&id=id&accname=guest&checksum=4902C4B7311558C4600D04D47343107C>
- <sup>16</sup> Classita email to Transparentem, July 3, 2024, see appendix B.
- <sup>17</sup> November 30, 2022 email from Transparentem to amfori BSCI, see appendix B.
- <sup>18</sup> Email to Transparentem, (Hudson’s Bay Co. Responses), October 8, 2021, see appendix A.
- <sup>19</sup> “Macy’s Merchandising, Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.
- <sup>20</sup> “Macy’s Merchandising, Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.
- <sup>21</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.
- <sup>22</sup> K.N. Lee Knitting Industries Sdn. Bhd. - Corrective Action, see appendix B.
- <sup>23</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Correct Action Plan August 2023, on file with Transparentem.
- <sup>24</sup> “Macy’s Merchandising, Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.
- <sup>25</sup> “Macy’s Merchandising, Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.
- <sup>26</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.
- <sup>27</sup> “Ghim Li Follow-up Questions,” July 4, 2023, see appendix B.
- <sup>28</sup> “Ghim Li Follow-up Questions,” July 4, 2023, see appendix B.
- <sup>29</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.
- <sup>30</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.
- <sup>31</sup> This is not an exhaustive list of actions. Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Correct Action Plan August 2023 on file with Transparentem.
- <sup>32</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Correct Action Plan August 2023, on file with Transparentem.
- <sup>33</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.
- <sup>34</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), see K.N. Lee Corrective Action Plan August 2023.
- <sup>35</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan August 2023, on file with Transparentem.
- <sup>36</sup> “Brand Group-KN Lee Knitting Industries Verification Report,” March 30, 2022, see appendix B and Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan February 2024, on file with Transparentem.
- <sup>37</sup> “Brand Group-KN Lee Knitting Industries Verification Report,” March 30, 2022, see appendix B.



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<sup>37</sup> “Brand Group-KN Lee Knitting Industries Verification Report,” March 30, 2022, see appendix B.

<sup>38</sup> “K.N. Lee Follow-up Questions,” July 31, 2023, see appendix B.

<sup>39</sup> “Levy Payment Rates,” Malaysia Ministry of Home Affairs (website), last updated March 28, 2023, accessed January 23, 2024, <https://www.moha.gov.my/index.php/en/bahagian-pa-dasar-dasar-semasa/kadar-bayaran-levi-visa-plks>,

<sup>40</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>41</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>42</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>43</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.

<sup>44</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan August 2023, on file with Transparentem.

<sup>45</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan August 2023, on file with Transparentem.

<sup>46</sup> This is not an exhaustive list of actions. Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan August 2023, on file with Transparentem.

<sup>47</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.

<sup>48</sup> K.N. Lee Knitting Industries Sdn. Bhd. - Corrective Action, see appendix B.

<sup>49</sup> “K.N. Lee Follow-up Questions,” July 31, 2023, see appendix B.

<sup>50</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.

<sup>51</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>52</sup> “Ghim Li Follow-up Questions,” July 4, 2023, see appendix B.

<sup>53</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan August 2023, on file with Transparentem.

<sup>54</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), see K.N. Lee Corrective Action Plan August 2023.

<sup>55</sup> “Brand Group-KN Lee Knitting Industries Verification Report,” March 30, 2022, see appendix B.

<sup>56</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.

<sup>57</sup> “Brand Group-KN Lee Knitting Industries Verification Report,” March 30, 2022, see appendix B.

<sup>58</sup> K.N. Lee Knitting Industries Sdn. Bhd. - Corrective Action Plan, see appendix B.

<sup>59</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>60</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>61</sup> “Macy’s Merchandising,Inc.-Preliminary Response to Transparentem Follow-up Questions on Ghim Li Fashion Sdn. Bhd.” (Supplemental Response), August 4, 2023, see appendix B.

<sup>62</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.

<sup>63</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.

<sup>64</sup> “Ghim Li Follow-up Questions,” July 4, 2023, see appendix B.

<sup>65</sup> “Macy’s Merchandising Inc. - Summary of LRQA’s Assessment Findings,” August 15, 2024, see appendix B.

<sup>66</sup> Message from Ghim Li to Transparentem, on file with Transparentem.

<sup>67</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.

<sup>68</sup> “Centric Brands: Follow-up Questions on K.N. Lee Knitting Industries Sdn. Bhd.” (questionnaire submitted on behalf of Centric Brands and Under Armour), June 8, 2023, see appendix B.

<sup>69</sup> “Brand Group-KN Lee Knitting Industries Verification Report,” March 30, 2022, see appendix B.

<sup>70</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan August 2023, on file with Transparentem.

<sup>71</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), see K.N. Lee Corrective Action Plan August 2023.

<sup>72</sup> Corrective Action Plan (Impactt, commissioned by Centric Brands and Under Armour), K.N. Lee Corrective Action Plan February 2024, on file with Transparentem.

<sup>73</sup> “K.N. Lee Follow-up Questions,” July 31, 2023, see appendix B.

<sup>74</sup> “K.N. Lee Follow-up Questions,” July 31, 2023, see appendix B.

<sup>75</sup> “Principles and Guidelines for the Repayment of Migrant Worker Recruitment Fees and Related Costs,” Impactt (website), October 2021, accessed January 24, 2024, <https://impacttlimited.com/principles-for-repayment-of-recruitment-fees/>.

<sup>76</sup> The Common Framework for Responsible Purchasing Practices,” June 2022, accessed March 31, 2023, <https://static1.squarespace.com/static/601a4cf430876663b0f9c870/t/62d6a0d0d6a79f28ec6f7382/1658233044594/Updated+full+framework+CFRPP.pdf>.