



**SUMMARY REPORT
THIRD PARTY COMPLAINT
HAN EMBROIDERY LTD
(BANGLADESH)**

On March 9, 2016, the Fair Labor Association (FLA) accepted for review a Third Party Complaint filed by the University of Washington regarding lack of payment of compensation and benefits at the factory Han Embroidery Ltd (“Han Embroidery”) in Savar, Bangladesh. FLA-affiliated company Zephyr Graf-X sources from the factory Han Apparels Ltd (“Han Apparels”); Han Embroidery was a subcontracted embroidery factory to Han Apparels.

The complainant requested that the FLA investigate allegations that when Han Embroidery closed its doors in October 2015, it failed to pay final compensation and severance according to Bangladeshi labor law to the production workers employed at the factory. The allegations appeared to violate the FLA Workplace Code of Conduct Compensation standard, which requires employers to pay the applicable minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract; and Compliance Benchmark ER.18, Administration of Compensation.

The FLA informed Zephyr Graf-X of the action and moved the case to Step 2 of the Third Party Complaint procedure. Pursuant to Step 2, the Participating Company or College or University Licensee has up to 45 days to investigate the alleged noncompliance internally and inform the FLA.

Assessment by Zephyr Graf-X

Zephyr Graf-X launched an internal investigation shortly after the notification of the start of the Third Party Complaint. Zephyr Graf-X’s officials traveled to Bangladesh in late March to gather first-hand information. Although it was not possible for Zephyr Graf-X’s representatives to meet with Han Embroidery’s owners or officers or gain access to the factory’s records (reportedly, the owner of Han Embroidery fled the country at the time of the closure and company records disappeared), Han Apparels Ltd staff were able to provide information orally and in the form of documentation regarding Han Embroidery’s workforce at the time of the closure.

Zephyr Graf-X established that although Han Embroidery and Han Apparel Ltd shared space in the same building, they were separate commercial entities. Han Embroidery’s work for Zephyr Graf-X was framed in a subcontract with Han Apparels. Zephyr Graf-X confirmed this set of relationships and worked with Han Apparels to remediate the lack of payment of severance benefits to workers at subcontractor Han Embroidery.

Informing Zephyr Graf-X’s assessment was analysis of Han Embroidery’s closure conducted by the Worker Rights Consortium (WRC). The WRC found that when the factory closed on October 25, 2015, 168 workers -- many of whom were members of the

Han Embroidery Ltd Workers Employee Union, affiliated to the National Garment Worker Federation (NGWF) – were affected. WRC research estimated that the dismissed workers were owed \$72,157 in legally mandated benefits, calculated as 30 days of wages for each year of service, calculated based on the worker’s basic wages, plus one month’s advance notice of the retrenchment or payment to the workers of an additional 30 days’ wages minus 30 days’ wages that the workers already received when the factory closed.¹

Remediation by Zephyr Graf-X

Zephyr Graf-X and Han Apparels committed to pay the amount of \$72,157 in severance pay to the affected 168 former workers of Han Embroidery. Zephyr Graf-X and Han Apparel accepted a severance distribution plan designed by the WRC. The main elements of the plan were: (1) establishing a distribution date and post-distribution deadline for workers to claim their funds; (2) notifying workers of the pending distributions; (3) carrying out the distributions and documenting all payments; (4) if needed, conducting additional outreach to workers who do not present themselves to claim the funds; and (5) establishing a procedure for dealing with any funds that may be left over after the distributions. The NGWF took responsibility for informing workers about the availability of the severance monies and the procedure for accessing them.

The first of two opportunities to distribute severance funds to eligible workers was held on April 29, 2016, at the Han Apparels factory. A representative of Zephyr Graf-X was present to observe and assist in the distribution, together with representatives of Han Apparels, the WRC and the NGWF. At the end of the session (3:30 pm local time), 152 of the 168 Han Embroidery workers had come to claim their severance payments and had received them. After showing identification, each worker whose name appeared on the list of 168 eligible workers received an envelope with the severance amount in cash. A supervisor from Han Embroidery was also present to confirm the identity of the workers. Upon receipt of the severance, each worker signed a receipt (actually three receipts, two in the local language and one in English) that showed the name of the worker, the amount of money delivered, tenure of the worker in the factory, and the date and time of the receipt of the severance. Three workers raised concerns about the accuracy of tenure in the factory or some other issue and these cases were set aside for further review and consideration.

A second – and final – distribution occurred a week later, on May 6, 2016. The same organizations were represented and the process was identical to that followed during the first distribution. Thirteen workers came in to claim their payments and 12 received them. One worker had some concerns; this case, together with the three previous cases where there was a dispute over the length of tenure, were set aside to be discussed by Han Apparels and the WRC. Zephyr Graf-X has agreed to cover any additional severance expenses that might arise from any errors regarding these cases.

At the end of the second distribution, there were three workers who had not presented

¹ Worker Rights Consortium (WRC), Memorandum to WRC Affiliated Colleges and Universities, “Remediation of Severance Pay Violations at Han Embroidery Ltd (Bangladesh),” April 28, 2016.

themselves to claim the severance pay. Pursuant to the distribution plan, these workers had a period of six months from the time of the initial distribution to claim their compensation. We have learned that as of early July 2016, all three workers have come forward and received their due compensation.

Conclusion

As a result of the intervention of Zephyr Graf-X and Han Apparels, the workers who lost their jobs when Han Embroidery went out of business received final compensation and severance due them according to Bangladeshi labor law. In developing and implementing a remediation plan to address such payments, Zephyr Graf-X worked closely with the WRC and the NGWF. The FLA has received documentation from Zephyr Graf-X regarding the names of workers at Han Embroidery eligible for the severance pay and due amounts and receipts signed by the workers acknowledging the amounts received and therefore this case is considered as being closed.