December 14, 2006

Summary Report:
Third Party Complaint Regarding El Progreso, Honduras

Complaint

In December 2003, the Fair Labor Association (FLA) received a Third Party Complaint filed by the Maquila Solidarity Network (MSN), supported by the Federation of Honduran Workers and the Canadian Labour Congress (CLC), regarding El Progreso, a factory owned by Gildan located in the vicinity of San Pedro Sula, Honduras. The complainant alleged non-compliance with respect to the Freedom of Association provision of the FLA Workplace Code of Conduct. The complainants specifically alleged discriminatory dismissals of union members.

In February 2004, ALGI, an independent monitor accredited by the FLA, made an unannounced inspection of the factory and confirmed obstruction of workers’ right of freedom of association as well as other violations of the FLA Workplace Code of Conduct, including long hours of work, failure to pay overtime, and harassment had occurred. In response, Gildan committed to a remediation plan which included training on freedom of association for all workers, enhancing code awareness through training for all employees conducted by an external group, changes in factory clinics to address concerns by female workers about improper medical examinations, and certain health and safety improvements. However, in July 2004, Gildan closed the El Progreso facility while the remedial program was still in progress.

The failure by Gildan to remedy some of the issues identified by the independent monitoring event at El Progreso, compounded by the closing of the factory, led the FLA Board of Directors in October 2004 to place Gildan on 90-day Special Review. The Board set out several conditions that Gildan would have to meet in order to continue as an FLA Participating Company. On December 10, 2004, the FLA Board agreed that Gildan had met the conditions and reinstated Gildan as a Participating Company. The FLA Board directed the FLA staff to provide an update on Gildan’s progress in implementing the remediation plan by February 2005. The FLA staff report indicated that Gildan had taken concrete actions to improve the conditions in their supply chain in factories located in the area where the El Progreso plant was located.

2 http://www.fairlabor.org/all/news/gildan.html
Independent Verification

The FLA engaged COVERCO (Commission for the Verification of Codes of Conduct), an independent monitor accredited by the FLA based in Guatemala, to verify the remediation undertaken by Gildan. COVERCO conducted the verification in January 2006; COVERCO conducted unannounced visits for five days at three of Gildan’s plants in Honduras – San Antonio, San Miguel, and San Jose – and a second unannounced visit to the San Antonio plant.

The results of the verification are available in a tracking chart as well as in a narrative report by COVERCO (English and Spanish versions are attached). Highlights of the verification audit include:

- Gildan’s Code of Conduct is posted in all of the facilities. During interviews, workers stated that they had been trained on the Code of Conduct. Contract registers contain documents signed by workers acknowledging the training.

- Verité conducted trainings on freedom of association in 2004 and 2005. However, majority of workers interviewed do not remember exact dates or specific details of these training and some voiced concerns of retaliation if they attempt to organize a union.

- Checks compensating workers who had been unjustly dismissed have been issued, although not all of the affected workers have collected their payments.

- Workers interviewed reported that they had received end-of-the-year vacation though it was not established if vacation days were paid properly.

- Payment for holiday work is in accordance with the law.

- Overtime is voluntary and is being paid in accordance with domestic law.

- Breaks and lunch periods are being implemented in accordance with domestic law.

- Management indicated that not all plants have available child care facilities for all of the workers’ children. Management indicated that it is exploring options that involve the maquila association and other organizations.

- A draft of the Company's Internal Guidelines was prepared by management and submitted to the Honduran Ministry of Labor for review and approval in late 2004 or early 2005. At the time of the verification visit, the Ministry of Labor had not yet commented on the draft. It was observed that the Internal Guidelines were posted on the information boards but majority of workers interviewed were unaware of its content.

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Conclusion

The verification audit conducted by COVERCO showed that Gildan has remedied most of the noncompliances arising from the 2004 IEM at El Progreso and subsequent action plans agreed with the FLA. Gildan needs to continue to work on the balance of noncompliance issues at its facilities, as well as, provide better and more effective trainings, particularly on freedom of association. The FLA has discussed the results of the verification audit with the complainant, MSN, and has decided to formally close the Third Party Complaint.