SUMMARY REPORT  
Star S.A. in Honduras  
October 25, 2012  

Introduction  
In June 2012, the Fair Labor Association (FLA) was notified of worker unrest at Star S.A. in El Progreso, Honduras. This unrest began on May 3, 2012, when the factory was acquired from Anvil Holdings by Gildan Activewear Inc. (“Gildan”), a FLA-affiliated company. To get a thorough understanding of the situation on the ground, the FLA commissioned COVERCO, an accredited independent NGO monitoring organization, to conduct an exploratory investigation to ascertain changes in workplace environment occurring during the ownership transition. The COVERCO scoping visit focused on gathering the perspectives of the key stakeholders at Star S.A., understanding their concerns and issues, and making recommendations for actions that Gildan, Star S.A., SITRASTAR (the representative union at Star S.A.), and other actors could take to mitigate unrest and bring stability to the factory. In particular, COVERCO looked into rumors of possible closure of the factory and allegations of anti-union behaviour during this transition period.

COVERCO conducted the scoping visit at Star S.A. from September 11 to September 14, 2012. COVERCO interviewed a total of 56 internal and external stakeholders, including interviews with 35 workers and union leaders, five supervisors, five managers, a representative from Gildan, and ten external stakeholders.

In addition, COVERCO reviewed and evaluated the following documents in order to grasp the broader context of the current labor unrest:

1. Management policies  
   a. Policies for disciplinary procedures  
   b. Policies and regulations for the evaluation of job performance of personnel  
   c. Policies and procedures for the reduction of personnel  
2. Employment levels from January 2011 through August 2012  
3. Production reports from January 2011 through August 2012  
4. Number of terminated work contracts per month from January 2011 through August 2012, divided into voluntary resignations, terminations with just cause, and terminations without just cause  
5. Current collective bargaining agreement  
6. Internal work regulations
7. Signed minutes and official correspondence between SITRASTAR and factory management related to the situation in the factory.

The report prepared by COVERCO and recommendations are available in English and in Spanish (original).

COVERCO’s Conclusions and Recommendations

1. Ineffective communication and rumors. Evidence gathered indicates that communication by Star S.A. management regarding Gildan’s acquisition of the facility and its implications was inadequate or absent. This was compounded by management’s inaction to curb rumors of mass layoffs and factory closure, all of which contributed to workers’ insecurity and a feeling of impotence on the part of the union.

2. Anti-union actions. Evidence gathered indicates that the Human Resources Manager of one of the shifts supported directly or indirectly the May 5th work stoppage instigated by workers with anti-union views. There was no evidence that any disciplinary actions were taken against the workers who initiated the work stoppage. Moreover, management failed to act against threats that were lodged against SITRASTAR’s leadership, a particularly important issue given the high rate of violence against union leaders in the El Progreso area.

3. Freedom of Association and Collective Bargaining. Although SITRASTAR made several attempts to obtain information from Star S.A. management about the acquisition of the factory by Gildan and sought clarification of rumors regarding closure of the factory, Star S.A. management was less than forthcoming in meeting with the union or sharing information. COVERCO’s findings also indicate that management has not yet fulfilled their July 19, 2012 commitment to reassert their commitment to Freedom of Association and Collective Bargaining.

4. Perception of Gildan in El Progreso. A significant percentage of interviewees indicated that there is a perception in the community that Gildan is an anti-union company, based on historical developments, which provided fertile ground for the factory closure rumor.

COVERCO recommended that Star S.A./Gildan:

1. Develop a policy and procedures for communication.
2. Guarantee that the implementation of the policy and procedures for communication are adequate and effective in the context of labor relations at Star S.A.
3. Comply with the commitments of the Special Minutes of the July 19 meeting guaranteeing a notification to all employees regarding respect for freedom of association and collective bargaining.
4. Coordinate, within a prudent time frame, the reiterated requests by union leaders to meet with a high-ranking Gildan executive; this action will strengthen the Communication

\[1\] On Oct 19th, Gildan reported to the FLA that those two workers are no longer at the factory
Policy and will aid in the elimination or reduction of uncertainty, rumors and misrepresentations about the acquisition.

5. Share the report of this investigation with the brands sourcing from Star S.A., management, and the union.

**FLA Recommendations**

The FLA supports the implementation of all recommendations made by COVERCO. The FLA further recommends that Star S.A./Gildan:

1. Immediately communicate to workers – verbally and in writing – information to quell rumors about the closure of the factory; this communication should be made in joint efforts with the union;

2. Reinforce dialogue and information-sharing with the union, as well as develop a joint plan for Freedom of Association training of workers, supervisors, Human Resources staff and other managerial positions;

3. Post and recirculate to all workers the existing collective bargaining agreement with an addendum (signed by Gildan) that states that Gildan will continue to respect and implement the contract, support the work of the union, and recognize and respect freedom of association in the facility; and,

4. Ensure that appropriate investigation and corresponding disciplinary actions are taken when the safety and security of SITRASTAR union leaders are threatened.