HIALPESA: Final Summary Report

September 30, 2025

Background: Case summary

On June 11, 2019, FLA received a Third Party Complaint from the union *Sindicato de Trabajadores de la Hilandería de Algodón Peruano S.A.* concerning issues at the factory *Hilandería de Algodón Peruano S.A.* (HIALPESA) located in the San Juan Lurigacho District of Lima, Peru. At the time of the complaint, the FLA Participating Companies identified as sourcing from HIALPESA were '47 Brand LLC and Burton Snowboards.

The complaint alleged that the June 5, 2019, suspension of employment contracts of 190 workers from the spinning and knitting areas of HIALPESA unfairly targeted union members. Half of suspended workers were affiliated with the complainant union, representing 65% of the union's total membership. The union requested an investigation into allegations that the suspensions constituted an anti-union decision and did not comply with the Fair Labor Code and Compliance Benchmarks. The complaint also alleged violations concerning compensation and union discrimination. FLA commissioned Ena Núñez O'Brien to conduct the investigation from August 12-16, 2019.

The investigator's report was published on October 31, 2019, and describes in detail the allegations raised by the union and the responses from the factory, the regulatory framework in Peru, and additional relevant information and evidence. The investigator's analysis and findings included 18 non-compliances with the Fair Labor Code and Compliance Benchmarks. Findings included a lack of policies and procedures for retrenchment; a lack of policies, training, and practices that honor workers' freedom of association; a common practice of short-term employment contracts; and more.

The investigator expertly examined these challenging issues, even as the collective termination process was ongoing before Peru's Administrative Labor Authority (AAT) – the body that is authorized to determine the legality of the closure of the two production areas. The report contains 18 recommendations, some of which accounted for the then-ongoing AAT proceedings.

FLA Participating Companies engaged with the factory during the remediation phase. Significant progress towards implementing the recommendations was halted due to factory resistance to changing their practices around freedom of association and collective bargaining and the fact that some of the allegations were pending a final judicial decision. Additionally, the global pandemic and turnover of key brand staff in charge of the case prolonged the remediation phase for over two years.

The limitations encountered during the remediation phase solidified the need for FLA to commission a verification assessment of HIALPESA's progress on implementing the corrective actions, which was one of the investigator's original recommendations. In August 2022, FLA agreed with one of the brands involved, Burton Snowboards, to conduct a verification assessment on the status of the remediation.

The independent audit firm VeLaR was commissioned to conduct the verification assessment in November 2022. In January 2023, FLA published the Verification Report and it was confirmed that the factory implemented only one out of the 18 recommendations from the Corrective Action Plan (CAP) that resulted from the investigation. The Verification Report provided a new set of recommendations for the factory to remediate the remaining issues from the original investigator's report. The Verification Report also provided updates on the AAT proceeding results, which was undergoing appeals from both the factory and the union at the time of the assessment.

After the Verification Report was published, the FLA had several exchanges with Burton Snowboards, who again faced multiple challenges to correct the non-compliances flagged during the investigation and verification phases. FLA reconnected with 47' Brands in early 2025 as a last attempt to advance with this case. Despite the commitment and efforts from both brands, over four years, the remediation of this TPC has not been successful.

Insights and recommendations

Despite two assessments and two sets of recommendations shared with all parties involved, this case has not been remediated to the satisfaction of FLA, member brands, or the complainant. There has been limited willingness by the factory to remediate, and several other barriers have limited FLA and other stakeholders to impact the outcome.

The FLA Participating Companies sourcing from this facility account for about 5% of production and thus do not have major leverage on factory management to pressure for remediation. In addition, the practice of using short-term employment contracts in the garment sector is chronic in Peru. FLA and member brands have advocated for an end to this widespread practice in the past. For these reasons, FLA has exhausted available paths to remediation and is thusly closing this investigation on September 30, 2025.

FLA will continue to advocate and engage with members, affiliates, and other stakeholders to improve workers' rights in Peru. FLA encourages all brand and university members sourcing from Peru to conduct thorough due diligence around freedom of association and collective bargaining, with special attention to the repetitive use of short-term contracts to prevent the free exercise of workers' organizational rights. Information gained through due diligence should play a key role when making purchasing and sourcing decisions. As always, FLA recommends that members engage with unions and civil society organizations on the ground to find sustainable solutions that support workers' rights.