

Gildan STAR S.A.

Verification of Remediation Report

Prepared by Independent Consultant Francisco Chicas

**Remote Verification conducted between
Oct 05 - Oct 16, 2020**

**Requested by:
Fair Labor Association**

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I. Background

In September 2020, the Fair Labor Association (hereinafter, FLA) contacted the independent consultant Francisco Chicas (hereinafter, the investigator) to request a verification of remediation by Participating Company Gildan Activewear Inc (hereinafter, Gildan or the Company), in regards to the closure of its owned factory STAR S.A. (hereinafter, Gildan Star or Star) that occurred in June 2019. The FLA examined the Gildan Star closure through a Third Party Complaint (hereinafter, TPC) investigation. Based on the TPC investigation results, Gildan developed and submitted to the FLA a Corrective Action Plan (hereinafter, CAP), and committed to implement each of the remediation actions described in said CAP.

Also, during October and November 2019 Gildan engaged in a dialogue with the leaders of the STAR S.A. Workers Union (hereinafter, SITRASTAR, or the Union) in order to seek solutions that minimize the impact of the shutdown on workers and their families. From this ongoing negotiation, Gildan and the Union ended up signing an agreement (hereinafter, the November 2019 Agreement) that highlights specific commitments for Gildan with workers affected by the closing.

This verification process is intended to assess the progress made by Gildan in fulfilling the commitments derived from both the November 2019 Agreement, and the CAP proposed submitted to the FLA.

In detail, during this verification of remediation the investigator assessed if Gildan has:

- 1) Paid additional compensation to all former Gildan Star employees terminated due to the factory closure, consistent with the terms of an economic package agreed with SITRASTAR on the November 2019 Agreement.
- 2) Ensured the provision of medical attention to former Star employees and their children through a private clinic located in El Progreso Municipality, under the terms of the November 2019 Agreement.
- 3) Ensured protection of the maternity rights of three former female employees that reported to Gildan their pregnancy after they were terminated at Star.
- 4) Provided transportation to former Star workers hired at the Gildan San Miguel and Gildan San Antonio facilities from El Progreso to those factories and for the return trips to El Progreso, and in addition, consulted with workers and Union representatives on how to improve the transportation services provided.
- 5) Provided a copy of the signed severance payment receipt to all workers affected by the closure as well as the new employment contract for all workers rehired at any of Gildan's other two plants in Honduras.

- 6) Ensured protection of former Star employees with medical conditions in compliance with the commitments made with the Ministry of Labor and Social Security of El Progreso.
- 7) Taken action to minimize the negative impacts of the closure by making efforts to hire former Star employees who remain unemployed and interested in a job opportunity at any of Gildan's sewing facilities in Honduras, including members of the Union's executive committee.
- 8) Complied with the agreement to support the Union with an additional compensation of 300,000 lempiras, in addition to the union protection payment (*fuero sindical*) aiming to fund the expenses incurred by the Union due to the closure.
- 9) Confirmed the existence of consolidated, updated, and reliable data (including from updated personnel files of any rehired employees) of all employees affected by the closure, including identifying pregnant women, employees with medical conditions, or any other employee under a special category.
- 10) Addressed the alignment of Gildan's termination and retrenchment policy and procedures with the FLA Workplace Code of Conduct and Benchmarks, including steps to be followed in case of a closure or liquidation in order to ensure effective consultation with workers' representatives.
- 11) Complied with the agreement reached with the Union to respect the seniority of rehired employees at Gildan San Miguel and Gildan San Antonio in the selection criteria for any potential future layoffs.
- 12) Conducted effective communication with all rehired Star employees concerning the grievance mechanisms available, at each of the other facilities in Honduras, to file a complaint in cases of a non-compliance with Gildan's bylaws.
- 13) Published and communicated a statement on Freedom of Association reinforcing Gildan's commitment to respect employees' associational / collective bargaining rights in accordance with the FLA Workplace Code of Conduct and Benchmarks at each facility at which Star employees were rehired.
- 14) Addressed the reinstatement and the back payment of compensation to Gildan San Miguel employee "YYY¹".

Given the difficulties of international travel in light of the COVID-19 pandemic, the FLA agreed with the investigator to perform a remote assessment around the above-mentioned verification items. Such verification process was conducted between October 05 and October 16, 2020.

¹ Given that this report will be posted on the FLA's website, and in order to protect the confidentiality of this worker, his name will not be disclosed. Similarly, names of other specific workers or managers will not be disclosed.

II. Methodology

The remote verification process involved records review and interviews with: i) Gildan representatives; ii) former SITRASTAR representatives; iii) former Star workers hired at other Gildan's plants; and, iv) former Star workers who have not been hired at other Gildan's facilities yet.

Records Review

The full list of records reviewed by the investigator during the verification of remediation is presented in the Annex section, at the end of this document. In addition to Gildan, the FLA and SITRASTAR also shared relevant documents pertinent to the progress on completion of remediation by Gildan.

Interactions with Gildan representatives

The investigator held an opening meeting (Oct 05) and a closing meeting (Oct 09) with Gildan representatives. Specifically, the following staff participated in both meetings:

Chart 01: Interactions with Gildan representatives (Tittle within the Company)
VP Sewing Honduras
VP Corporate Citizenship
Central America HR Director
Social Compliance Senior Manager
HR Senior Manager
Legal Counselor

The Gildan team provided valuable information pertinent to the verification assessment during the opening and closing meetings. During the course of the assessment, the Social Compliance Senior Manager and the HR Senior Manager were the ones who provided all documentation requested by the investigator, and they also had regular calls and email communications with the investigator to respond all requirements and questions posed.

While a closing meeting was held on October 09 (where the preliminary results of the verification assessment were shared with Gildan), the verification process continued until October 16, in order to follow some specific issues that came out during the verification and that needed additional triangulation and crosschecking by the investigator. It is worth noting that all information / documentation requested by the investigator was promptly provided by Gildan.

Interview with SITRASTAR

On October 06, the investigator interviewed three out of six members of the Union’s executive committee (Union Board). The following Union members were interviewed:

Chart 02: Interview with SITRASTAR representatives (Tittle within the Union)	
President	
Treasurer	
Recording Secretary	

Subsequently to the Union interview, the investigator had continuous communication with the former SITRASTAR President in order to crosscheck information, and also to obtain additional information / documentation significant to the verification process.

Worker Interviews

Between October 06 and October 14, the investigator conducted forty-six worker interviews, as detailed below:

Chart 03: Total Number of interviews with workers			
Total number of interviews with former Star workers rehired at San Antonio and San Miguel factories, with gender distribution			
Number of interviews at San Antonio		Number of interviews at San Miguel	
11		13	
7 female	4 male	8 female	5 male
Total interviews with rehired workers: 24			
Total number of interviews with former pregnant workers			
Number of interviews at San Antonio		Number of interviews at San Miguel	
2		2	
Total interviews with former pregnant workers: 4			
Total number of interviews with former Star workers not rehired yet at other Gildan’s factories, with gender distribution			
11 female		1 male	
Total interviews with workers not rehired yet: 12			
Total number of interviews with workers with medical conditions, with gender distribution			

5 female	0 male *From the 18 workers with medical conditions there was only one male worker but the investigator could not reached out to him
Total interviews with workers with medical conditions: 5	
Other interviews	
Interview with worker "YYY"	1 male
Total "other interviews": 1	
TOTAL NUMBER OF WORKER INTERVIEWS	46

III. Assessment Results

As previously mentioned, the verification items for this assessment were defined by the FLA, based on the November 2019 Agreement, as well as from the CAP derived from the 2019 TPC investigation that the FLA commissioned at Gildan Star. These are the results found by the investigator in each of these matters.

1) Payment of Economic Packages

In the November 2019 Agreement, Gildan committed to pay economic packages to 305 workers proposed by the Union, as a mean to provide economic relief after Star closing. Also, Gildan voluntarily committed to provide economic packages to all other workers excluded from the SITRASTAR list, regardless of whether they were already hired at other Gildan's plants or not.

Amounts paid to the workers ranged from six to twelve months of basic salary, depending on seniority (in the case of the workers proposed by SITRASTAR), and from two to two and a half months of basic salary, also depending on seniority (in the case of the rehired workers to whom Gildan voluntarily decided to provide the economic packages). Finally, the workers who expressed no interest in being rehired at other Gildan facilities received one month of basic salary.

The investigator corroborated the payment of economic packages to both former Star workers proposed by SITRASTAR, and former Star workers not included in the list elaborated by SITRASTAR. The investigator reviewed a sample of twenty-nine copies of the checks provided to the workers and the twenty-nine related settlements they signed, as proof of payment of the packages. All these cases reviewed correspond to current workers at San Antonio and San Miguel factories. From this sample of twenty-nine records, the investigator interviewed twenty-four workers, and all of them confirmed these payments.

From the interviews with the twelve workers not yet rehired at other Gildan's plants, the investigator also corroborated that all of them received the payment of the economic packages.

The investigator also verified that the seniority was considered when calculating the amounts to be paid to the workers, following the terms outlined in the November 2019 Agreement. Moreover, most of the checks were delivered to the workers before December 15, 2019, as defined in the November 2019 Agreement, except for a few isolated instances where payments of packages were made in January 2020, according to SITRASTAR.

SITRASTAR representatives confirmed that all workers were paid the economic packages, following the rules for calculating amounts based on seniority, as established in the November 2019 Agreement.

In sum, three hundred and five workers were paid economic packages as per the Union request, plus five hundred seventy-five rehired workers at San Antonio and San Miguel plants, eighteen administrative workers, and one hundred thirty-nine workers who expressed no interest in being rehired by Gildan.

2) Provision of Medical Attention

The investigator corroborated that the medical attention was available for former Star workers at the medical facilities named “*Centro Médico Quirúrgico Popular*”, at El Progreso Municipality, starting on October 21, 2019.

From the interviews with twelve former Star workers not rehired by Gildan yet, the following was found:

- ✚ Three workers confirmed they visited the medical center and received free medical assistance (one of them said the medical attention was provided to his daughter);
- ✚ Six workers said they were aware of this benefit but they did not have the need to use it;
- ✚ One worker explained she wanted to visit the medical center once, but there was not public transportation available during the quarantine ordered by the Government in the context of the Covid-19 pandemic;
- ✚ Two workers claimed they were not aware of this benefit.

Gildan explained they informed workers about the available medical center through WhatsApp messages. The Company also explained that the November 2019 Agreement was published in a widely circulated national newspaper. Moreover, the investigator corroborated that SITRASTAR posted information about the medical center on its Facebook page². Former Star workers have also been participating in two WhatsApp groups where they share updated information on how Gildan is implementing the November 2019 Agreement. Hence, the investigator found that there were several channels for disseminating information about the existence of the medical center.

On the other hand, SITRASTAR reported to the investigator two instances where the medical center charged two former Star workers for the medical attention and medicines. However, these instances were brought to Gildan’s attention and the Company reimbursed these two workers for all the expenses they incurred.

Moreover, SITRASTAR reported to the investigator two instances of workers who were denied the medical attention. The investigator was able to talk with one of them. This worker confirmed that in one occasion the medical center refused to provide the medical attention to his son, without providing any explanation. The worker opted for taking his son to a different medical facility, but he decided not to

² <https://www.facebook.com/SittrastarOficial/photos/a.298616311033859/456722648556557/>

report the issue to Gildan. He said to the investigator that he is not interested in claiming reimbursement for those expenses, and that this issue only happened once, as previously he had taken his daughter to this medical center and the medical attention had been provided for free.

Based on these isolated instances, the investigator did not find evidence that the medical attention had been denied on a systemic basis to former Star workers. Logs of medical care provided by this medical center to former Star workers from October 2019 to June 2020 were reviewed. These records showed that seventy users visited the medical center during that period. The logs also showed that during April and May 2020 no worker visits were reported by the medical center. According to Gildan that could be explained by the lack of public transportation in the country due to the Covid-19 pandemic.

As stipulated in the November 2019 Agreement the free medical attention for former Star workers was available until June 30, 2020.

3) Protection of Maternity Rights

Through the revision of official conciliation agreements signed before the Ministry of Labor, the investigator corroborated the payment of maternity benefits that Gildan made to four former Star workers that SITRASTAR reported as pregnant workers during Star closing. The investigator interviewed two of these four workers and they corroborated the payment of maternity benefits. Moreover, SITRASTAR representatives also confirmed the payment of the maternity benefits to these four workers. Of these four workers, only three accepted to join other Gildan plants, and they were working at San Antonio and San Miguel facilities during this verification.

In addition to the four pregnant workers reported by SITRASTAR, Gildan also identified other seven workers that were pregnant or that were new mothers when Gildan Star closed operations. The investigator interviewed two of these workers and they also confirmed full payment of the maternity benefits.

4) Transportation Services

Gathered information indicates that Gildan has been providing free transportation to the former Star workers from El Progreso to Gildan's plants, San Antonio and San Miguel, and for the return trips to El Progreso. Currently, there are seven buses available at the San Miguel factory and five buses available at the San Antonio factory, traveling to different locations in El Progreso.

The vast majority of the twenty-four interviewed workers were satisfied with the transportation services; however, one San Antonio worker complained that the bus seats are not comfortable enough for such a long trip. In addition, this worker claimed that in the afternoon, more workers are using the bus for returning to El

Progreso, and there is no adequate social distancing within the bus. These issues are happening on the route Tela-Mezapa.

Furthermore, the investigator found two instances of San Antonio workers who have to pay for additional local transportation from their homes to the point where Gildan's buses pick them up to take them to the factory. One worker expressed she has to pay around 140 Lempiras daily (USD \$5.60³) for local transportation that takes her from her home to the place Gildan's bus picks workers up in the mornings, and for returning from this point to her home at nights. This worker commented that she knows around 10-12 former Star workers who declined to be rehired at other Gildan plants because they would have to pay similar amounts of money on local transportation. This worker said that she has not informed Gildan of the trouble she is having affording daily transportation.

Another San Antonio worker mentioned that she has to pay 50 Lempiras (USD \$2) daily on additional transportation. She also confirmed she has not brought this issue to Gildan's attention. These two workers revealed that Gildan paid for a transportation subsidy when they worked at Star, and with this subsidy they were able to cover this local transportation, as opposed to now when they have to bear those additional expenses, which in turn is detrimental to their household economy.

With respect to the mechanism for consulting workers on the quality of the transportation service provided, the investigator found that Gildan has carried out roundtables with workers to consult them. Samples of minutes of three roundtables held with workers, from December 2019, were reviewed. Most of workers' comments were positive and showed a generally satisfied feeling. In one of the minutes workers expressed that some seats in one bus were not in good condition. The investigator corroborated the Company follow up, through the revision of minutes of one meeting with the transportation service provider, dated December 12, 2019, in which Gildan shared the workers' feedback with the service provider and required corrective actions and a timeframe for completing such actions.

The investigator found that during 2020 no roundtables have been conducted with workers to consult them on the transportation service. Gildan explained it was due to the Covid-19 pandemic, and that workers still have had the availability to use the suggestion boxes or the other existing grievance channels to report issues related to the buses conditions and service. The investigator reviewed records of grievances submitted by workers during January, February, July and August 2020, at both San Antonio and San Miguel factories, and found no other complaints about transportation.

³ OANDA exchange rate, from Oct 15, 2020 <https://www1.oanda.com/lang/es/currency/converter/>

5) Provision of employment contracts and severance records

The investigator reviewed a sample of thirty employment contracts and thirty severance payment receipts (belonging to the same thirty workers) and all documents included workers' signatures as having been received. Moreover, all twenty-four interviewed workers from San Antonio and San Miguel confirmed that Gildan provided them with copies of the employment contracts signed when hired, and also they were provided with copies of the severance payment receipts related to the termination payouts provided during the Gildan Star closing.

6) Protection of Workers with Medical Conditions

The investigator found that Gildan keeps necessary records to identify former Star workers with medical conditions. The investigator reviewed an agreement signed between Gildan, SITRASTAR, the Ministry of Labor and former Star workers with medical conditions, dated on August 06, 2019, in which Gildan committed to compensate eighteen former Star workers for the occupational diseases with which they have been diagnosed.

At this time, Gildan has paid such compensation to sixteen workers; this was verified through the revision of sixteen individual conciliation agreements signed between Gildan, SITRASTAR, the Ministry of Labor, and the workers, in August 2019. The other two workers pending to receive their compensation are still following their cases at the Ministry of Labor and the Honduran Institute of Social Security (hereinafter, IHSS for its initials in Spanish), which are the official entities in charge of issuing the occupational disease diagnosis. Gildan explained that, due to the Covid-19 pandemic, both institutions have not been able to follow the workers' claims for occupational disease diagnosis at the national level, but it is expected that during October 2020 the two entities will be able to restart following those pending cases. One of these two workers confirmed the delay on the side of the Governmental institutions.

The investigator interviewed four workers from the list of former Star workers with medical conditions. All four confirmed the payment of the corresponding compensation. Later, SITRASTAR reported to the investigator the case of another worker who was claiming the payment of three new medical diagnosis issued by the IHSS in November 2019, and January and May 2020, and shared copies of those diagnoses with the investigator. This worker was contacted and she confirmed the information provided by the Union. She also mentioned that she was paid the first compensation owed to her in late September 2020; on that occasion she mentioned to Gildan's lawyer about these new diagnoses pending of payment. Also, SITRASTAR confirmed they heard about this case in the same week this verification assessment was being undertaken. The investigator discussed the issue with the Gildan team and they say they were unaware about the new diagnoses this worker is claiming, but they are willing to review her case.

During the interviews with the former Star workers with medical conditions, the investigator noted that three out of five workers thought they would not be considered for rehiring at other Gildan plants because of their health status; one of them revealed that right after the closing a former Gildan Star manager said to them that they would not be rehired because they have received the payment of the compensation for occupational disease. The investigator discussed this matter with the Gildan team and they commented that workers with medical conditions are not excluded from the rehiring process. Gildan also explained that apparently, workers with medical conditions did not seem to be interested in being rehired, as only four workers out of the eighteen had attended the job fairs announced by Gildan in the past.

At this time, no worker with a medical condition has been rehired at other Gildan facilities. From the five interviewees with medical conditions, four confirmed they would like to work at any of the Gildan factories, and the fifth one said that she is open to that possibility, but it would depend on the working conditions Gildan offers. From this sample of five, there are three workers that did not attend the job fairs promoted by Gildan in October 2019 and January 2020; one of them said she did not realize of it, and the other two confirmed they decided not to go as in their minds they would not be considered for rehiring. This exposes a lack of clear communication with workers with medical conditions with respect to Gildan's commitment to hire all former Star workers.

7) Payment of Union Expenses and Financial Support

By reviewing a copy of check number 01959987, issued to the order of SITRASTAR on January 09, 2020, the investigator corroborated the payment of the 300,000 Lempiras (USD \$11,972.32) in the form of financial support to the Union, aiming to fund the expenses incurred by the association due to the Gildan Star closure. The settlement signed by the Union's President related to this payment was also reviewed by the investigator.

In the same way, the investigator reviewed a copy of check number 01924288, issued to the order of SITRASTAR on July 31, 2020, for a sum of 755,188.58 Lempiras (USD \$30,137.86), corresponding to the payment of the union protection known as "*fuero sindical*".

SITRASTAR leaders confirmed both payments during the interview with them.

8) Hiring of Former Star Workers

The investigator corroborated important progress on this commitment. Gildan reported that, from the one thousand one hundred twenty-six workers affected by the Star closing in 2019, six hundred sixty-four have already been hired (58.97%). At the time of this verification, there were two hundred twenty-four former Star workers employed at San Antonio and three hundred and five at San Miguel. The

investigator asked Gildan why they were reporting six hundred sixty-four workers as “hired” when the actual number of former Star workers at Gildan’s factories is five hundred twenty-nine, based on the current lists of former Star workers employed at both plants. The Company explained that the remaining one hundred thirty-five workers are cases of workers who abandoned their jobs or decided to resign -- plus a group of thirty-eight retrenched workers from San Miguel, in June 2020.

The big majority of hired workers were incorporated to San Antonio and San Miguel factories between July and November 2019. From the November 2019 Agreement, Gildan was expecting to rehire the pending workers in the first quarter of 2020. Nevertheless, the Company explained that due to the Covid-19 pandemic these plans were frustrated, as they had to suspend their operations in all Honduran facilities beginning in mid-March, and for some weeks after.

In January 2020 Gildan organized a job fair at El Progreso seeking to recruit former Star workers. Gildan reported that a total of one hundred fifty-one workers attended the fair. From that list only four workers were rehired during 2020, in the August-September period. Gildan also reported that, in this same period, four other workers were called for rehiring but they did not answer the phone, and that another four workers did not show up after being asked to arrive for the hiring process. Gildan explained those particular workers were called because they had the expertise the Company needed as of then, which was neck sewing.

From the interviews with workers not rehired yet, the investigator found some logistical issues that might have refrained workers from showing up when Gildan called them up:

- ✚ One worker complained that in late September she was called almost at 6:00 p.m., and she was asked to show up (she does not remember if she had to go to San Antonio or to San Miguel) very early in the morning the following day. This worker explained that at that moment, she was not in El Progreso, and she did not have sufficient time to go back and prepare herself to show up the following day.
- ✚ A second worker commented that she was called in a moment where there was no public transportation available due to the quarantine ordered by the Government. When she was called by Gildan to show up she expressed the limitation she had to travel in light of the lack of public transportation, and she asked whether she could travel in the buses Gildan uses to transport workers from El Progreso to the factory, but she was not allowed to do that. Hence, she could not arrive to the factory. She did not remember who was the Gildan representative that called her.

On the other hand, during the interviews with workers, the investigator found that Gildan has hired new workers at San Antonio, and such workers were not former Star workers. When the issue was discussed with Gildan, the Company remarked

that they had to hire workers with expertise in producing certain products in which Star workers are lacking experience.

Specifically, the Company representatives explained that they received a production order for products that would have implied ten to twelve weeks of training curve for Star workers. Those products were boxers and sleeveless shirts. Gildan hired thirty five workers assigned to these operations, plus seventy-six temporary packing workers.

Given the high volume of workers hired for manufacturing these products, it is recommended that Gildan consider promoting skills development for former Star workers, so they can have more chances to join Gildan's factories in the future.

Finally, the investigator asked Gildan representatives whether they can estimate a timeframe for fulfilling the commitment of hiring all former Star workers, and the Company responded that it is challenging to work with a timeframe, in light of the fluctuating trends on the market given the Covid-19 pandemic.

In view of all explained above, the investigator found that the accomplishment of this commitment is still in progress.

9) Keeping consolidated, updated and reliable data

During this verification, the investigator could corroborate that Gildan keeps updated and reliable records related to former Star workers that have been hired at other Gildan's plants. The Company shared with the investigator the lists of hired workers at San Antonio and San Miguel facilities. Also, the investigator reviewed samples of employment contracts signed by workers when joining these Gildan plants, and samples of severance payment receipts provided to workers related to payment of termination payouts, after the Star closing.

Finally, Gildan shared with the investigator a complete list of former pregnant Star workers, new mothers and former Star workers with medical conditions, at the time of the Star shutdown. The investigator also reviewed complete documentation on the compensation provided to these categories of workers after the closing.

10) Alignment of Policies and Procedures

The investigator verified that Gildan's corporate policy on Termination & Retrenchment and the procedure applicable in cases of Retrenchment were aligned with the FLA's Workplace Code and applicable Benchmarks (Employment Relationship Benchmarks ER.19 and ER.32).

11) Respect for Workers Seniority during Retrenchment

On this topic, SITRASTAR has raised complaints alleging that Gildan has failed to respect former Star workers' seniority during a retrenchment process the Company implemented in June 2020 at the San Miguel factory. Gildan explained that the Covid-19 pandemic affected the sales of blanks products intended to satisfy the tourism market; as a result they had to implement a retrenchment in all of the Honduran facilities. The San Miguel factory was the only one where former Star workers were affected by this layoff. No former Star workers were retrenched at San Antonio, despite the fact that other factory workers were.

According to the information provided by Gildan, from a total of five hundred and nine retrenched workers, thirty-eight were former Star workers⁴. This represents around 7.47%. Gildan also showed documentation on how the retrenchment decision was made. The Company followed their own internal retrenchment procedures as well as the Clause number 12 of the Collective Bargain Agreement (hereinafter, CBA) signed with the Workers Union of Gildan San Miguel (hereinafter, SITRAGSAM). Gildan explained that they had to retrench complete work teams assigned to manufacture the blanks. In the process they considered seniority as a criteria for retrenchment, but also quality, efficiency and discipline.

SITRASTAR provided the investigator a list of twelve former Star workers that were retrenched by San Miguel management, and whose seniority at Star ranged from 9 to 18 years. Gildan acknowledged they had to retrench former Star workers with some important seniority accumulated, but it was based on a holistic analysis that includes all criteria explained before. Also, Gildan provided the copy of a minute of the consultation they did with SITRAGSAM leaders to ensure that the process was objectively and fairly done, and in which they jointly reviewed and made a final decision about the retrenched workers.

Even when Gildan retrenched former Star workers with significant seniority, the evidence gathered does not show that Gildan had intentionally sought to affect Star workers during the retrenchment. The important but also relatively small percentage of former Star workers affected by the retrenchment indicates that the Company could have made some effort to avoid impacting former Star workers on a large scale, giving the significant negative effect on production provoked by the Covid-19 pandemic.

The Company will be recommended to hire former Star workers affected by the retrenchment at the earliest possible opportunity.

⁴ Among these 38 workers there are three former Star workers who voluntarily decided to renounce to the factory, so they could receive 100% of termination payouts. Gildan was offering to pay 100% of termination payouts to those workers who decided to be part of the group of retrenched workers. By law, in Honduras, a worker who quit to his/her job is not entitled to receive 100% of termination payouts. Gildan opted to implement this measure as a mean to retrenched workers who were interested in leaving the factory.

12) Communication on Grievance Mechanisms

From the interviews with the twenty-four workers from San Antonio and San Miguel, the investigator noted that all workers from the sample identified at least one grievance channel available for them to raise concerns. Among the existing grievance channels they mentioned are: i) Open door policy with Human Resources Management, or with immediate supervisor; ii) Suggestion boxes; iii) Phone number; iv) Email account; and, v) Roundtables. One worker even mentioned that he could reach out to Gildan representatives at the corporate level, if the grievance channels available at the factory level are not effective.

Additionally, twenty-two workers were able to identify at least one confidential grievance channel, and the other two responded they did not remember whether there are confidential grievance channels available.

Interviewed workers confirmed that communication on grievance systems is provided through the speaker, regular talks, and training sessions.

13) Communication on Associational Rights

From the CAP resulting from the 2019 TPC on the Gildan Star closure, the Company committed to posts and communicating a statement on Freedom of Association reinforcing Gildan's commitment to respect employees' associational rights. The investigator reviewed photos sent by Gildan to the FLA, in which the statement could be seen posted on notice boards of both the San Antonio and San Miguel plants.

In the statement, Gildan recognizes Freedom of Association and Collective Bargaining as workers' rights, consistent with national laws, and cites the applicable provision of its own Code of Conduct, and the applicable provision of the FLA Workplace Code. Moreover, Gildan prohibits any form of retaliation or discrimination against workers who decided to form or join any union. Finally, the Company makes reference to the workers' ability to use any of the available grievance channels, in case of noncompliance related to associational rights.

From the interviews with the twenty-four workers from San Antonio and San Miguel, only nine (37.5%) confirmed they have seen this statement posted on notice boards within the factory, and all the other workers said they did not know, as they do not put attention to all information posted on notice boards. Despite this, twenty-three workers (95.83%) confirmed they have received information about Freedom of Association. All these workers said that they were quite aware of their availability to join a union if they would like to do so. Moreover, all these workers expressed they think the Company respects this right, as workers within the factories are free to affiliate to the existing unions if they want to.

Workers commented that the information on Freedom of Association is regularly shared with them through the speaker, ongoing talks and also training sessions, which appear to have been effective to ensure that workers gain knowledge on the topics explained.

14) Reinstatement and Back Payment to Worker “YYY”

The case of Worker “YYY” does not have any relation with Gildan Star; however, upon the FLA’s request, his case was included in this verification assessment. The investigator interviewed this worker and verified he has been reinstated at the San Miguel factory from which he had been terminated on July 10, 2019, but was rehired on September 09, 2019.

He confirmed he received a retroactive payment for the seven weeks he was jobless. The investigator reviewed the payslip corresponding to this back payment, and noticed that the calculation of loss salary has been done considering basic salary only, but not an average of overtime and production bonuses earned by this worker in the months prior to the termination.

Worker “YYY” confirmed he was reinstated at the same work position, earning the same salary and under the same working conditions. He said that he has been in regular communication with Gildan’s Social Compliance Senior Manager, who has been very supportive.

15) Additional issue: Union Engagement

SITRASTAR leaders expressed that Gildan has not sufficiently engaged with them during the implementation of the above corrective actions. The investigator noted that the Union participated in some specific processes, such as the payment of maternity rights to former pregnant workers and new mothers before the Ministry of Labor, the payment of compensation to workers with medical conditions before the Ministry of Labor, and during the job fair conducted at El Progreso in January 2020. SITRASTAR confirmed their participation in all these activities, but they complained that Gildan did not engage with them during the October 2019 job fair. They also said that the Company does not seek their support when trying to reach out to former Star workers for rehire, as the workers have changed phone numbers, and as a result, Gildan is unable to contact them.

It is the investigator’s view that Gildan has made significant engagement with the Union during the process of implementing its commitments with former Star workers, and that at the same time the Company should still continue to engage with the former leaders of SITRASTAR on the implementation of the corrective actions still in need of completion. Also, Gildan could seek the Union’s support when trying to reach out to former Star workers who could not be contacted, as the Union leaders are part of two WhatsApp groups where a significant number of not rehired Star workers are also participating.

IV. Conclusions

The results of this verification assessment indicate significant completion of the majority of corrective actions by Gildan, derived from the Company's commitments aiming to minimize impacts on workers affected by the Star closure.

All economic commitments, such as payments of economic packages or payments owed to the Union, to former pregnant workers or to workers with medical conditions, have almost been completed, except for a couple of workers with occupational diseases whose cases are still before the competent authorities.

With respect to communicating with former Star workers on freedom of association and also on available grievance channels at the Gildan factories where they have been rehired, the Company has been successful, as interviewed workers have been shown to have extensive comprehension of both topics.

At the same time, some areas of needed improvement were identified in the process that Gildan has followed to call back former Star workers for rehire, such as the short timing they are given to show up, or the lack of consideration of external limitations for workers, such as the lack of public transportation during the quarantine for the Covid-19 pandemic.

With respect to transportation, the investigator found that Gildan complied with the initial commitment of providing free transportation to all former Star workers; however, a few workers still need to incur additional expenses to attend work on a daily basis. For that reason, the Company is recommended to follow a socially responsible approach and to identify those workers and provide them with additional economic support, as during their previous employment at Gildan Star they did not have to incur such expenses. Moreover, and despite that workers are in general satisfied with the transportation service the Company offers for free, it is still important that Gildan resume the roundtables with workers to check whether workers have new suggestions for improving the service.

Concerning workers with medical conditions, the investigator considers imperative that Gildan addresses any mistaken understanding that they may have in terms of considering they are not eligible for rehire because of their health status. On that note, it would be extremely helpful if the Company directly communicates with these workers to explain its commitment for rehiring them. Also, and based on their vulnerable situation, the investigator calls out for giving them priority when the Company has any chance to rehire more former Star workers.

Even with this room for improvement, the investigator acknowledges the positive work Gildan has done with respect to both the November 2019 Agreement and the FLA CAP that resulted from the 2019 TPC.

V. Recommendations

In light of the investigation results, it is recommended that Gildan:

On transportation services:

- 1) Follow up with transportation service provider on allegations related to uncomfortable seats for the specific route Tela-Mezapa, for Gildan San Antonio factory.
- 2) Follow up with transportation service provider on allegation related to lack of adequate social distancing in the route Tela-Mezapa, from Gildan San Antonio to El Progreso.
- 3) Resume the roundtables held with workers to get their feedback on the transportation service / buses' conditions.
- 4) Identify those former Star workers who are incurring additional costs for local transportation to get to the factories and to get back home, and provide them with a subsidy equivalent to the amount they have to pay for local transportation.
- 5) Double check with former Star workers who will be hired in the future at other Gildan factories, whether they would have to pay for additional transportation costs for traveling to the factory that would employ them; if so, provide them with the subsidy suggested above.

On workers with medical conditions:

- 6) Follow up the case of the worker who assured to have new medical diagnoses of occupational diseases, and pay her the corresponding compensation, if applicable.
- 7) Communicate with each of the workers with medical conditions to clarify that they are eligible for rehiring.
- 8) In light of their vulnerable situation, give priority for rehiring former Star workers with medical conditions, and to assign them on positions suitable and adequate to their health status.

On rehiring former Star workers:

- 9) Continue exploring options aiming to fully accomplish the commitment of rehiring former Star workers, e.g., by promoting skill development programs that teach them to produce new styles/products they are not familiar with.
- 10) Seek SITRASTAR support whenever the Company is not able to reach out to the former Star workers they are looking for rehire.
- 11) Take into consideration the external restrictions workers might be facing, and that hinders their availability to show up when they are called for rehire, e.g., lack of public transportation
- 12) Call workers for rehire with reasonable time ahead, so they can have sufficient time to prepare for showing up.

On retrenched workers (respect of seniority):

- 13) Whenever there are new employment opportunities at the Gildan San Miguel factory, the Company should give priority in hiring to the workers retrenched in June 2020.

Case of Worker “YYY”

- 14) Recalculate back payment of loss salary of worker “YYY”, based on average wage of the last three months (including basic salary plus overtime payments and production bonuses), and pay the pending amount owed to him.

On Union engagement:

- 15) Continue to engage with former SITRASTAR union leaders in the implementation of the pending corrective actions derived from the 2019 TPC CAP. In particular, this engagement with the Union would be important in respect to all new hiring process Gildan implements in the future, and also for ensuring that all former Star workers have a channel for communicating any ongoing concern.

VI. Annex

RECORDS REVIEWED BY THE INVESTIGATOR DURING THE VERIFICATION ASSESSMENT

Agreement signed between Gildan and SITRASTAR, dated on November 29, 2019.
Agreement signed between Gildan, SITRASTAR, Ministry of Labor and former Star workers with medical conditions, dated on August 06, 2019, related to Gildan's commitment to compensate former Star workers for the occupational diseases.
Agreement signed between Gildan and worker "YYY", dated on September 09, 2019, related to worker "YYY" reinstatement and provision of back payment.
Clause #12 of the Collective Bargain Agreement signed between Gildan and SITRAGSAM, applicable to retrenchment.
Conciliation agreements signed between Gildan, SITRASTAR, Ministry of Labor, and former Star pregnant workers, related to the payment of maternity rights, dated in November and December 2019.
Sixteen conciliation agreements signed between Gildan, SITRASTAR, Ministry of Labor, and former Star workers with medical conditions, dated on August 06, 2019, related to the payment of compensation for occupational diseases, provided to the workers.
Copies of checks paid to four former Star pregnant workers identified by SITRASTAR.
Copies of checks paid to sixteen former Star workers with medical conditions.
Copy of check paid to SITRASTAR, related to expenses incurred by the union due to the closure of Star.
Copy of check paid to SITRASTAR, related to union protection (" <i>fuero sindical</i> ").
Gildan's policies and procedures on Termination and Retrenchment.
Gildan's updates submitted to the FLA on the CAP status, dated in October 2019, December 2019, and February 2020.
TPC Investigation Report, Gildan STAR S.A., dated in July-August, 2019.
List of bus routes available at San Antonio and San Miguel factories for former Star workers.

List of former Star workers who attended the January 2020 job fair organized by Gildan at El Progreso.
List of former Star workers who have not been rehired at other Gildan's factories yet.
List of former Star pregnant workers identified by Gildan at the time of Star closure.
List of former Star pregnant workers identified by SITRASTAR at the time of Star closure.
List of former Star workers rehired at San Antonio factory.
List of former Star workers rehired at San Miguel factory.
List of new workers hired at San Antonio factory during August and September 2020.
List of former Star workers retrenched from San Miguel factory, in June 2020.
Logs of follow up visits made by Gildan and SITRASTAR to the medical facility available for former Star workers at El Progreso, during December 2019, and January and February 2020.
Logs of medical care provided to former Star workers from October 2019 to June 2020 at El Progreso medical facility.
Minutes of meetings held between Gildan and SITRASTAR on October 25, 2019 and November 08, 2019 to negotiate the terms of the November 2019 Agreement.
Minute of meeting held between Gildan and SITRASTAR on February 06, 2020 to follow on the compliance status of the November 2019 Agreement.
Minute of meeting held between Gildan and SITRAGSAM to communicate the impacts of the COVID-19 pandemic on Gildan's business operations, and the plan to mitigate the effects of the pandemic at San Miguel plant, dated on May 29, 2020.
Minute of meeting held between Gildan and SITRAGSAM to review list of retrenched workers at San Miguel plant, dated on June 04, 2020.
Minute of meeting held between Gildan and transportation service provider, dated on December 12, 2019, to discuss issues raised by workers on buses' conditions.
Payment agreement signed between Gildan and SITRASTAR, dated on January 10, 2020, related to the payment of expenses incurred by SITRASTAR due to the Star

closure.
Payslip showing back payment to worker "YYY".
Pictures of FOA statement posted at San Antonio and San Miguel plants.
Public announcement released by Gildan about medical services available for former Star workers at El Progreso.
Sample of thirty settlements and thirty severance payment receipts related to payment of termination payouts to former Star workers in 2019.
Sample of thirty employment contracts signed by former Star workers, rehired at San Antonio and San Miguel factories.
Sample of twenty-nine settlements signed by workers as proof of payment of the economic package provided by Gildan to former Star workers.
Sample of twenty-nine checks paid by Gildan to former Star workers, related to the economic package.
Sample of minutes of meetings held by Gildan and former Star workers to assess conditions of buses used to transport workers from/to El Progreso.
Settlement signed by SITRASTAR related to the payment of union protection (" <i>fuero sindical</i> "), dated on August 01, 2019.