



**FAIR LABOR**  
ASSOCIATION®

*Improving Workers' Lives Worldwide*



**GILDAN ACTIVEWEAR**  

---

**ASSESSMENT FOR ACCREDITATION**

June 2007

## TABLE OF CONTENTS

Introduction .....	2
Gildan’s Labor Compliance Program .....	2
Analysis of Gildan’s Labor Compliance Program Using the FLA Obligations of Companies and Evaluation Working Group Benchmarks .....	7
Conclusion.....	18

## INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies, and is reevaluated every three years.

The FLA Board of Directors voted to approve the accreditation of Gildan compliance program on June 12, 2007, based on proven adherence to FLA's Workplace Code of Conduct and the Obligation of Companies. Details on FLA's accreditation methodology can be found at [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).



## GILDAN'S LABOR COMPLIANCE PROGRAM

Gildan Activewear is a manufacturer of premium T-shirts, sport shirts and sweatshirts for sale in the wholesale imprinted sportswear market of the U.S., Canada, Europe and other international markets. Gildan plans to expand into the retail market, in addition to the screen-print market, and has recently expanded its product line to include underwear and socks as part of its strategy.

The company is related to a family-run business founded in 1946, called Harley, which produced children's wear. Harley was taken over by the third-generation Chamandy brothers in the early 1980s at which time the company started focusing on the manufacturing of textiles. In 1984, the Chamandys decided to create Gildan, a textile business, which started manufacturing T-shirts in the early 1990s. Gildan first went public in Canada in 1998 and in the United States in 1999. The company is headquartered in Montréal, Canada. It is a vertically integrated manufacturing company with owned textile and sewing facilities involved in spinning, knitting, dyeing, cutting, sewing, finishing, and packing located in Canada, the United States, Mexico, Central America, and the Caribbean Basin. Gildan also has distribution centers in North America, Europe, and Australia. Including its manufacturing facilities, Gildan has over 15,000 employees. With the recent acquisition of a sock and underwear company, Gildan now also has a sourcing office in Shanghai. In addition to its 15 owned facilities, two spinning facilities jointly owned with Frontier, Gildan contracts with another five factories. Two of Gildan's factories in Canada are unionized.



*Employee inspecting Gildan T-shirts.*

The Gildan Social Compliance Program was developed in 2003 to ensure that the labor and environmental standards adopted by the company are observed worldwide in the manufacture of Gildan products. Since its inception, the company has experienced great turnover in the compliance department, with 3 different department heads in as many years. In August 2006, Gildan recruited a full-time Director of Corporate Social Responsibility (CSR), replacing the Director of Corporate Social Responsibility and Employee Relations. The Director of CSR reports to the Executive Vice-President of Organizational Development and Change Management.



*Sewer at one of Gildan's supplier facilities in Honduras.*

In its initial implementation period, Gildan relied on a combination of internal compliance staff and third-party monitors to develop and implement its social compliance program. Currently, Gildan has 16 full-time staff members who are engaged in CSR work. The staff is divided into two main functions, CSR and Health, Safety, and Environment (HSE). While the HSE department has been a separate department for a number of years, the work of the HSE department is increasingly being integrated with that of the CSR department to ensure a more effective use of resources. Other Gildan staff members also carry out CSR responsibilities and Gildan continues to use the services of two third-party organizations. A description of the CSR responsibilities for staff and third-party service providers is provided below.



*Employee repairing the knitting machine at one of Gildan's supplier facilities.*

- As mentioned above, 16 staff members are full-time dedicated staff working on CSR or HSE issues. These include: (1) a full-time Director of CSR and an Environmental Manager based in Montréal; (2) a full-time CSR Manager, an Assistant CSR Manager, and 7 HSE staff working in Canada, Honduras, and Nicaragua; (3) a CSR Regional Manager and 3 HSE staff based in the Dominican Republic (DR) covering both the DR and Haiti; and (4) a full-time internal compliance auditor based in Central America. Recruitment of a second auditor for Central America is in process.
- [Monitoring organization] was engaged by Gildan in 2004 to conduct internal audits of both owned and contracted facilities and provide training for Gildan staff at the headquarter and factory level. In 2006, [monitoring organization] continued to conduct comprehensive audits in a limited number of Gildan facilities and is responsible for assisting Gildan facilities to secure and maintain [monitoring organization] certification.
- [Monitoring organization] was engaged by Gildan beginning in 2005 to assist with Gildan's CSR strategic planning, develop tools and guidance material for Gildan suppliers, conduct

comprehensive audits at Gildan factories, lead capacity building workshops, and provide remediation support.

- A number of Gildan employees have partial responsibilities to ensure Gildan advances in its CSR goals. To ensure that Gildan's CSR goals receive appropriate priority, job descriptions and work plans include CSR objectives and staff performance evaluations take into consideration whether or not CSR objectives were achieved. Gildan's commitment to CSR starts with its top-level management team.
  - The Executive Vice President, Chief Financial and Administrative Officer, who reports to the CEO, participates in CSR conferences and is involved with engaging local stakeholders in Canada and abroad.
  - The Executive Vice President of Organizational Development and Change Management works with the CSR Director to develop and promote CSR activities to the Executive Committee and Gildan Board Members.
  - The Manufacturing Executive Vice-President, the Operations Executive Vice-President and the Supply Chain Executive Vice-President who are involved in the selection of new factories, are also responsible for communicating CSR as well as business expectations.
  - The Corporate Director of Apparel checks on safety, health and ergonomic issues when visiting factories.
  - The Director in Charge of Contractors in Haiti works with the Gildan- owned factory in Haiti and with contract factories to implement the code of conduct.
- All Human Resource Regional Directors are responsible for overseeing the work of the CSR full-time staff based outside of Montréal. The Human Resource Managers in Gildan's owned and operated plants are also responsible for implementing the code of conduct at the factory level.
- Both Gildan's Communication Director in Montréal and Communication Director in Central America have partial responsibilities to ensure Gildan advances in its CSR goals. The Director at the headquarters is responsible for ensuring the timely execution of Gildan's annual Corporate Citizenship Report and manages media and marketing requests as well as receiving donations for Gildan's donation program. The Director in Central America is responsible for NGO and stakeholder dialogue and community development initiatives in Honduras and Nicaragua.



*Ergonomic exercise break at a Gildan sewing facility.*

Gildan joined the FLA in October 2003, the first supplier to join as a Participating Company. Gildan supplies blank T-shirts to a number of FLA companies and licensees. Gildan's entry into the FLA was initially colored by a third-party complaint filed in December 2003 by a complainant who alleged noncompliance with workplace standards related to freedom of association and harassment and abuse, among others, at Gildan's factory in Honduras. Following a determination that there was noncompliance as alleged in the complaint, Gildan began developing a remediation plan. On July 12, 2004, while the remediation plan was being implemented, Gildan announced that it was closing the factory. Gildan's decision to close the [factory] raised questions about its commitment to remediation in general and freedom of association in particular. Therefore, the FLA Board placed Gildan under Special Review for a 90-day period and set out specific actions Gildan would have to take with respect to issues raised in the complaint. Gildan failed to satisfy the Board that it had completed those actions and the Board voted to terminate the participation of Gildan unless the company provided evidence by November 30, 2004, that it taken the following actions:



*Landscape view in Honduras of Biotop, Gildan's biological wastewater treatment system, which aims to preserve the ecosystem and aquatic life.*

1. Issued a clearly worded public statement that acknowledges that there were restrictions in its [factory] on workers' rights to freedom of association, including posting such statement on its website.
2. Corrected misrepresentations of Gildan's compliance with FLA Standards that appear on the Gildan website.
3. Corrected misrepresentations attributable to Gildan of the FLA's position or of Gildan's position relative to the FLA by sending written notices correcting the record to the specific media where any misrepresentations occurred.
4. Effectively communicated to Gildan Honduran employees Gildan's commitment to their associational rights.
5. Demonstrated the completion of a remediation plan, including:
  - Evidence of payment (or, if necessary, escrow) of back wages to the 39 dismissed workers on the list provided by [CSO], from the date of dismissal through September 30, 2004, as well as severance packages based on each worker's original date of hire at the factory.
  - Evidence of completion of initial training by [monitoring organization] on freedom of association for workers and managers, and adoption of plans for subsequent trainings in Gildan Honduran facilities and a plan for evaluation of the effectiveness of the training.
6. Constructively engaged in discussions with [CSO] on issues related to Gildan's implementation of FLA Standards.

On December 10, 2004, the FLA Board agreed that Gildan had met the conditions and reinstated Gildan as a Participating Company.

In addressing the issues raised by the original third-party complaint and by the FLA Board, Gildan worked closely with the FLA and other [CSOs]. In January 2006, FLA accredited [monitoring organization] verified the remediation undertaken by Gildan, making unannounced visits at three Gildan plants in Honduras. The verification audits showed that Gildan had remedied most of the noncompliances arising from the initial third-party complaint at [factory] and subsequent action plans agreed with the FLA. The FLA decided in December 2006 to formally close the third party complaint.<sup>1</sup>

The table below describes Gildan's supply chain over the period 2004-2006, as reported to the FLA. Gildan sourced from 33 applicable facilities in 2004, 29 in 2005, and 26 in 2006. During this period, Gildan factories were subject to a total of 4 unannounced Independent External Monitoring events (IEMs) conducted by FLA-accredited independent external monitors and 2 verification audits. Information on the results of the IEMs, and the remediation undertaken by Gildan in response to IEM findings, are provided in FLA tracking charts and discussed, as appropriate, in the next section.

GILDAN APPLICABLE FACILITIES AND IEMS, 2004-2006						
COUNTRY	2004 APPLICABLE FACILITIES	2004 IEM	2005 APPLICABLE FACILITIES	2005 IEM	2006 APPLICABLE FACILITIES	2006 IEM
Canada	10	0	3	0	2	0
Dominican Republic	0	0	2	0	3	0
El Salvador	2	0	1	0	0	0
Haiti	6	0	10	0	7	0
Honduras	9	1	7	1	7	2
Mexico	2	0	2	0	2	0
Nicaragua	0	0	4	0	2	0
United States	4	0	0	0	3	0
<b>Total</b>	<b>33</b>	<b>1</b>	<b>29</b>	<b>1</b>	<b>26</b>	<b>2</b>

<sup>1</sup> For more details, reports on the third-party complaint and the verification audit, see [www.fairlabor.org/all/complaint/Reports/EIProgreso.pdf](http://www.fairlabor.org/all/complaint/Reports/EIProgreso.pdf).

# ANALYSIS OF GILDAN'S LABOR COMPLIANCE PROGRAM USING THE FLA OBLIGATIONS OF COMPANIES AND EVALUATION WORKING GROUP BENCHMARKS

Gildan's initial monitoring plan foresaw a two-year initial implementation period, ending in December 2005, for its apparel production. After the Special Review process and reviews by the FLA it was determined that Gildan would require an extension of its implementation period by another year, ending in December 2006.

Information used in this assessment originates from annual reports submitted by Gildan to the FLA verified through: (1) visits to Gildan's headquarters by FLA staff in 2005 and 2007 and meetings with Gildan at the FLA headquarters throughout the implementation period; (2) visits to factories by FLA staff; (3) observation of training sessions and other field activities by FLA staff; (4) information gathered via in-person and/or phone interviews, and/or email correspondence with Gildan monitors and other key stakeholders; (5) results of IEMs and ensuing remediation; and (6) materials related to third-party complaints involving Gildan.

## 1. ADOPTS AND COMMUNICATES A CODE

### 1.1 Formally adopts a code that meets or exceeds FLA standards

#### Actions Taken:

Gildan adopted the FLA code of conduct in 2004 after receiving approval from its Board of Directors. In 2005, Gildan revised the code of conduct to meet both [monitoring organization] and FLA requirements as well as incorporate industry best practices. The new code was adopted in 2006.

#### Verification by FLA:

The FLA confirms that Gildan adopted the FLA workplace code of conduct in 2004 and introduced a new code in 2006 that meets and exceeds the FLA standards. Copies of the codes of conduct in English, French, Spanish and Creole were reviewed by the FLA and are on file at the FLA offices.

### 1.2 Informs all suppliers in writing

#### Actions Taken:

Gildan held meetings in 2004, 2005 and 2006 at which all contract and owned suppliers were informed of the code of conduct and FLA obligations, including the obligation to submit to unannounced independent external monitoring. In terms of written communication, Gildan provides an explanation of the code provisions including posting and communication requirements, in its vendor guidelines manual. Gildan also requires that a copy of the code of conduct be signed by each employee and the factory manager.

#### Verification by FLA:

The FLA reviewed the Gildan training material for suppliers and confirms that information about the FLA code of conduct, obligations and IEM process was included. A copy of the vendor compliance manual is on file at the FLA offices as are copies of the code of conduct acknowledgement forms, signed by workers and factory management.

### 1.3 Posts the code in a prominent place in supplier facilities in the local languages of workers and managers

#### Actions Taken:

The FLA code and the Gildan code have been posted in owned and contract factories and have been translated into the appropriate local languages spoken by workers and management.



**Verification by FLA:**

FLA staff saw copies of the code of conduct at Gildan facilities and confirms that it was attached as an appendix to the sewing agreements for contract factories. The Vendor Guidelines and Tool Kit inform suppliers that the standards should be posted in local languages. FLA IEMs between 2004 and 2006 found no noncompliances related to code postings. During Gildan internal audits in Montreal and Honduras observed by FLA staff, Gildan's code of conduct was posted.

**1.4 Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover)****Actions Taken:**

Gildan's third-party monitors have also been appointed to provide worker trainings, with a particular focus on the Gildan factories in Honduras. Gildan also published and distributed a brochure to workers in Honduras that included details of two local [CSOs] whom workers could contact with questions regarding their rights. In 2006, [monitoring organization] was contracted to conduct trainings for all workers in owned and contract factories on the new code of conduct. As of that year, all new and current workers have been receiving courses on the code of conduct as part of the new employee induction and on an ongoing basis. Gildan has also sought other innovative means to train workers on the code. Most recently Gildan created a board game in local language which workers can play to learn about the code of conduct and their rights.

**Verification by FLA:**

The FLA reviewed training material and training schedules mainly for the Gildan-owned facilities. The FLA can also confirm that Gildan's third-party service providers offered training on freedom of association in Honduras for workers and management which focused on laws and regulations related to freedom of association as part of the [factory] complaint remediation. The FLA reviewed sample signature sheets of workers who attended the trainings in different factories. The FLA also saw a draft version of the code awareness board game. The FLA encourages Gildan's efforts to find innovative ways to enhance worker awareness in both its owned and contract facilities. Gildan started focusing compliance efforts on Haiti in 2006 given the political situation in that country and Gildan has made plans to recruit an human resources manager in Haiti to oversee human resources and CSR efforts in the country. The FLA encourages the strengthened focus on the Haitian factories.

IEM findings for audits done in 2004 and 2005 cited noncompliances in relation to code awareness. As part of Gildan's remediation plan of [factory], worker awareness training was provided through a third-party organization; the training was to target freedom of association. In 2006, the IEMs revealed that code awareness training had been provided to workers on an on-going basis however after reviewing the results of the [factory] verification with Gildan, the FLA recommended that more training on freedom of association be provided to workers and that this be expanded to all factories as a preventative measure.

FLA staff observed an internal audit of a Gildan facility in Nicaragua in which workers confirmed training on the code during their induction period but could no longer recall the standards. During the observation it was also revealed that a recent work stoppage over wages and the handling of the stoppage has left tension between workers and management. This issue was discussed with the factory during the closing meeting and an action plan for communicating the wage issue with the workers was designed. The FLA has asked Gildan to provide the results of their investigation to the FLA. The FLA further recommends more training on the code of conduct on an on-going basis and, as mentioned above, more training on effective worker-management communication channels, dispute handling, and freedom of association.

**1.5 Obtain written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards****Actions Taken:**

The sewing agreements with contract facilities include provisions on labor compliance inspections and audits. In 2006, Gildan revised its sewing agreements to include reinforced provisions about code compliance and inspection.

**Verification by FLA:**

The FLA reviewed signed copies of the agreement which includes language requiring factories to adhere to the Gildan code of conduct as well as with inspections pursuant to [monitoring organizations] and FLA standards (including cooperation with the IEM process). Copies of the agreements are on file at the FLA offices.

**2. TRAINS INTERNAL COMPLIANCE STAFF****2.1 Identifies the staff or service provider responsible for implementing their compliance program****Actions Taken:**

Initially, Gildan sought to rely on third-party monitors to implement the code of conduct program. More recently, Gildan has been hiring compliance staff with expertise in compliance monitoring and remediation. Staff involved in CSR are from the country in which they operate and are familiar with applicable legislation. Internal auditors are experts in social audits and training.

**Verification by FLA:**

The FLA is familiar with the work of [monitoring organizations] and, more recently, has interacted with Gildan CSR staff that is responsible for Gildan's monitoring and remediation efforts.

**2.2 Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing and remediating****Actions Taken:**

Throughout its implementation period, Gildan has sought to provide training to both its CSR and business staff. Accordia provided training for management staff in 2004. In 2005, the former CSR Director received training by [monitoring organization]. In the same year, [monitoring organization] trained 15 managers in Honduras on FLA requirements. Four factory managers also participated in the FLA training on the Guidelines of Good Practice. As of 2006, Gildan formed a CSR working group which brings together CSR, HSE, Human Resources, and manufacturing staff from all regions to discuss priority issues and receive training.

**Verification by FLA:**

The FLA has spoken with Gildan third-party training partners and reviewed training material during the headquarter reviews. Copies of the training material are on file at the FLA offices. The FLA also interviewed a few employees who expressed that there had not been much training provided to new employees and that much of the history of Gildan's CSR was new information to them. The FLA recommends that Gildan create an orientation program for new CSR employees on the history of the company and the evolution of its CSR department and work. Gildan has stated that they have started developing a comprehensive induction program, which should address this issue.

**2.3 Updates that training at regular intervals****Actions Taken:**

Gildan's CSR staff participates in regular training via the CSR working group.

**Verification by FLA:**

The FLA verified training material and agendas for CSR working group meetings. The FLA interviewed CSR staff who confirmed participation in such meetings.

### 3. PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS

#### 3.1 Encourages the establishment of grievance procedures at supplier facilities

##### Actions Taken:

Gildan has set up diverse channels through which employees at the corporate level and in owned factories can raise grievances or concerns to management. The provisions include the establishment of an open-door policy between management and workers, a suggestion box, grievance procedures, as well as a worker hotline. In one facility, the grievance procedure is included as part of collective agreement with the union. Gildan is currently drafting a Reporting Employee Concern of Questionable Acts policy and drafting a centralized policy and procedures for handling and reporting of grievances.

##### Verification by FLA:

The FLA reviewed the Reporting of Employee Concerns of Questionable Acts policy and the complaints and grievance reporting mechanisms for a number of factories. The FLA also reviewed open door policy documents for workers at several of the Honduras plants and a plant in Nicaragua. Each owned facility has its own grievance policy and, as part of an initiative to create centralized corporate policies for each element of Gildan's new code of conduct, Gildan has been drafting a centralized grievance policy for all factories. Gildan has also started focusing on contract factories and working with them to establish internal grievance procedures. The FLA encourages Gildan to finalize its centralized policies and extend them to contract factories. The lessons acquired through the Guidelines of Good Practice training can help to guide the development of these policies. The FLA did not see as much development of internal grievance procedures for contract factories and encourages Gildan to extend the same policy and procedure systems to contract factories, particularly in Haiti.

The IEMs for Gildan-owned facilities did not cite any noncompliances in relation to this code element.

#### 3.2 Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted

##### Actions Taken:

Employees have been provided with an employee hotline and suggestion boxes if they wish to file grievances or lodge complaints confidentially. Gildan has contracted a third-party service to manage the hotline and has started to post the numbers in all of their owned facilities. In 2007, they will focus on updating the integrity line poster to include input from the legal department and creating a poster with the hotline number for contract facilities.

##### Verification by FLA:

The FLA reviewed copies of integrity line posters and reviewed copies of Gildan internal newsletters in French and English which introduced the hotline and provided toll-free numbers for Canada, the U.S., Central America and the Caribbean Basin. The FLA also reviewed samples of complaint reports received through the hotline and the tracking process and identified some areas for improvement. Gildan has acknowledged some problems with the existing hotline system and will seek to address them in 2007. The FLA recommends that Gildan provide clear instructions to the service provider of the issues that Gildan considers to be priority rather than allowing the service provider to decide. The FLA also recommends that Gildan provide clear procedures for tracking and follow-up of complaints for the third-party hotline service providers as some of Gildan's follow-up questions appear to have been unanswered by the service provider.

One of four IEMs cited the lack of a confidential noncompliance reporting mechanism as a noncompliance; this was a contract factory, no longer working with Gildan.

During a Gildan internal audit observed by FLA staff, the integrity line posters and contact information were posted in prominent areas. Interviews with employees revealed, however, that workers were unaware of the line. Although the Gildan headquarters tests the lines frequently, when the auditor tested the line system 3 times, she found that the calls did not go through. The auditor cited this finding in the report and informed the Gildan line manager.

### 3.3 Ensures the channel is secure, so workers are not punished or prejudiced for using it

#### **Actions Taken:**

The hotline and suggestion boxes provide for a secure means for workers to raise grievances anonymously. Gildan's draft policy for Reporting Employee Concerns of Questionable Acts also includes language stating that workers will not be punished for raising complaints or grievances.

#### **Verification by FLA:**

The FLA confirms the existence of the hotline and maintains a copy of the draft policy, including the non-retaliation clauses, at the FLA offices.

## 4. CONDUCTS INTERNAL MONITORING

### 4.1 Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards

#### **Actions Taken:**

In 2004, [monitoring organization] was retained to perform audits and completed 23 audits of Gildan facilities in that year. Between 2005 and 2006, [monitoring organization] was retained to perform audits and 100% of all facilities were audited. A global Internal auditor was recruited in November 2006 and an additional one is now being recruited for Central America (May 2007) to monitor all Gildan owned and contract facilities in the region.

All audits include a health and safety inspection, records verification, workers interviews in private and, when conducted by a third-party consultation with civil society.

#### **Verification by FLA:**

The FLA reviewed the database and confirms that audits conducted by the third-party auditors and Gildan internal auditors have taken place on a regular basis. Given that the database was still under construction it was not possible to review the audit history of the factories and to gauge the frequency of visits. Nonetheless, it appears as though an appropriate sample has been audited each year. Given the political situation in Haiti, Gildan was not able to audit Haitian facilities until 2006. The FLA encourages Gildan to continue to strengthen its oversight of the Haitian facilities and its contract facilities in general.

The FLA reviewed audit reports on file at the Gildan headquarters and noted that the audit instrument followed the Gildan audit process and that all audits reviewed were filled in completely. Gildan's internal and external monitoring guidelines also outline a standard monitoring process.

The FLA observed two Gildan internal audits in Nicaragua and in Montreal. While the audit in Montreal was only a partial audit and therefore did not follow the full audit process; in Nicaragua, it was noted that all sections in the audit instrument were followed. Gildan's internal monitor inspection included: documentation review, walkthrough or physical inspection, worker/management interviews, payroll review and an exit interview. The FLA noted that Gildan's auditor was very diligent and good at corroborating findings and in building a rapport with workers during interviews.

### 4.2 Collects, verifies and quantifies compliance with workplace standards

#### **Actions Taken:**

Gildan has created a new internal tool which incorporates the FLA benchmarks and applies the most stringent of all standards. All audit data are centralized in Gildan's data base and can be analyzed to develop findings.

#### **Verification by FLA:**

Copies of the new audit instrument are on file at the FLA office. The FLA also reviewed the database and found that audit information was stored in it and that the results of the audits were accessible.

#### 4.3 Analyzes the monitoring results and implements remediation plans to address noncompliance issues

##### Actions Taken:

All audits are followed by a management action plan that is elaborated jointly with the facility. Internal auditors check that remediation is implemented in a timely manner.

##### Verification by FLA:

The FLA reviewed management action plans on the Gildan database which indicated the dates when follow-up audits took place. Sample copies are on file at the FLA offices.

#### 4.4 Tracks the progress of remediation

##### Actions Taken:

Gildan tracks remediation through follow-up visits conducted by internal monitoring staff. The progress of remediation is then entered into the database which is used for tracking open issues.

##### Verification by FLA:

Interviews with one of the auditors and review of follow-up visits via the database confirm auditors' involvement in follow up visits. During a factory visit in Nicaragua, the FLA staff observed a Gildan auditor follow up on open issues from a previous audit. While the dialogue was very constructive, the management had not followed up on the issues since the last visit. Gildan commented that high turnover in the region has made it challenging to find dedicated CSR staff locally to support remediation activities. The recruitment of a new Human Resources VP and a second internal auditor, however, will help to improve this issue. Nonetheless, there was also a sense that factory management did not clearly understand their roles. Gildan has recently sought to use the CSR working group as a way to integrate the goals of the CSR team and factory management. This may help improve the understanding of roles and provide CSR the support needed for sustainable remediation at the factory level. The FLA encourages further attention to training local factory management on their role in compliance oversight.

### 5. REMEDIATES IN A TIMELY MANNER

#### 5.1 Upon receiving the internal and independent external monitoring reports, contacts the supplier concerned (within a reasonable timeframe) to agree to a remediation plan that addresses all compliance issues identified by the monitor

##### Actions Taken:

Once an audit has been completed, a management action plan is filled out and discussed with management. If the audit was conducted by a third-party monitor, upon receipt of the audit results and management action plans, the Gildan internal auditor and CSR manager for the region visit the factory, sit down with factory management and review the management action plans, and agree on adequate solutions and timelines to implement remediation.

##### Verification by FLA:

Gildan has provided samples of the management action plans and remediation responses and timelines to the FLA. The FLA has observed constructive discussions between management and the CSR auditors at both the audit in Montreal and Nicaragua.

#### 5.2 Implements a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances

##### Actions Taken:

Gildan develops a remediation plan to appropriately address the noncompliance raised.

##### Verification by FLA:

The FLA has reviewed remediation plans developed by Gildan for both internal audits and IEMs. Gildan has some very good internal Human Resources systems, outlined in the vendor guidelines, which aim to establish clear policies and procedures, implementation structures, communication and training processes, documentation,

and systems for monitoring and evaluation to prevent future noncompliance. The building of these systems in response to noncompliance issues raised, however, is not consistently reflected in remediation plans reviewed by and submitted to the FLA. The FLA recommends more consistency in developing preventative remediation plans. During an audit observed by the FLA, it was evident that the factory was not following the guidelines outlined in the vendor handbook and not developing sustainable and preventative systems. The FLA recommends more training on sustainable compliance and remediation for all staff.

### **5.3 Within sixty (60) days, supplies the FLA with the remediation plan citing all progress made and a timeline for outstanding items**

#### **Actions Taken:**

Gildan provides the FLA with information required with regards to the FLA audits and tracking charts on a timely basis.

#### **Verification by FLA:**

Gildan submits remediation plans and responds to questions from the FLA on a timely basis.

### **5.4 Confirms the completion of remediation**

#### **Actions Taken:**

Gildan uses follow-up visits to confirm the completion of remediation. Only after the Gildan internal auditor has visited the factory and reviewed the completed remediation can an issue be noted in the database as closed.

Gildan has also cooperated in FLA verification processes.

#### **Verification by FLA:**

The FLA confirmed this process in an interview with the Gildan internal auditor. The FLA also reviewed the database, particularly the feature that shows that only the internal auditor or the CSR Director can declare remediation closed.

A verification audit conducted by an independent monitor in January 2006 of three Gildan plants in Honduras showed that Gildan had remedied most of the noncompliances arising from an IEM conducted at the [factory] plant in 2004.

### **5.5 Conditions future business with contractors and suppliers upon compliance standards**

#### **Actions Taken:**

Gildan includes in its contracts language requiring suppliers to commit to the code of conduct as part of a requirement of doing business.

#### **Verification by FLA:**

The FLA has reviewed the language in Gildan contracts and has copies of the contract on file at the FLA's office. The FLA reviewed a copy of a letter terminating the business relationship with a contractor in Nicaragua who was unwilling to remediate noncompliance. The FLA recommends that Gildan proceed cautiously when making decisions about starting and terminating business with contract suppliers. Gildan requires exclusivity from contractors. On the one hand, the exclusivity of Gildan contract suppliers allows Gildan greater ability and leverage to implement strong Human Resources and CSR systems within the factories. On the other hand, termination of business is likely to result in a factory closure. It is therefore essential that Gildan review factories thoroughly prior to starting business and that they consider carefully the retrenchment implications in the case of the business ending. Gildan has been working on strengthening the factory pre-approval process and provided to the FLA draft copies of sourcing and retrenchment policies which the FLA has on file. The FLA encourages Gildan to finalize and strengthen these policies.

## 6. TAKES ALL STEPS NECESSARY TO PREVENT PERSISTENT FORMS OF NONCOMPLIANCE

### 6.1 Analyzes compliance information to identify persistent and/or serious forms of noncompliance

#### Actions Taken:

In 2004, Gildan focused mainly on analyzing persistent noncompliances around the [factory] case. Starting in 2005, working with [monitoring organization], Gildan began to more systematically analyze the most common noncompliances. In 2005, [monitoring organization] found that 65% of noncompliances were related to health and safety, 15% to pregnancy issues, and 11% to discipline/termination and freedom of movement. In 2006, health and safety noncompliances accounted for 54% of the total, overtime and workers awareness for 8%, and other forms of noncompliances for 2 or 3%.

#### Verification by FLA:

Sample reports of Gildan's analysis are on file at the FLA offices. The FLA encourages Gildan to strengthen its analysis and to continue to look at the recurrence of noncompliance, carry out comparisons between owned and contract facilities, and identify the causes of noncompliance in each class of facility.

### 6.2 Establishes and implements programs designed to prevent the major forms of such noncompliance

#### Actions Taken:

Gildan has been learning from experience and analysis of its audit findings on how to prevent major forms of noncompliance. Since [factory], Gildan has been training workers on freedom of association, sexual harassment, efficient leadership and health and safety.

#### Verification by FLA:

The FLA reviewed correspondence from the Director of CSR to the Regional Human Resources Director and the Manufacturing Executive Vice-President and the Human Resources and Social Responsibility Director in Central America informing them that she had analyzed the compliance reports in Honduras and found that there were recurring noncompliances with respect to vacation time. The FLA also reviewed remediation emails and a copy of a permit from the Ministry of Labor in Honduras authorizing the factory to pay workers for vacation time not taken which was applied to all factories to prevent future recurrence of the noncompliance.

The FLA has also seen training material and a training schedule on FOA for workers and supervisors and reviewed training material for the health and safety trainings. After the FLA received a complaint of sexual harassment in a Gildan facility in the DR, Gildan introduced training for the entire facility. The FLA encourages Gildan to extend these trainings to all factories, owned and contracted.

### 6.3 Takes steps to prevent recurrence in other Applicable Facilities where such noncompliance may occur

#### Actions Taken:

Gildan is in the process of applying the modules in all facilities to prevent the noncompliance before it takes place. With the arrival of the two internal auditors whose job will also entail training, this will be more easily achievable.

#### Verification by FLA:

The FLA encourages Gildan to enhance training now that there is a dedicated compliance Director and two internal auditors.

## 7. SUBMITS TO INDEPENDENT EXTERNAL MONITORING

### 7.1 Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters, etc.

#### Actions Taken:

Updated factory lists, access letters and other documents have been provided to the FLA upon request and updated information has been provided on a regular basis.

**Verification by FLA:**

Gildan has provided factory lists, access letters and other documentation to the FLA on a timely basis throughout the implementation period.

**7.2 Ensures that the suppliers selected for IEMs cooperate with the FLA monitors**

**Actions Taken:**

All Gildan suppliers are informed of FLA requirements through written and verbal communication to ensure that factories cooperate with the FLA during the IEM process.

**Verification by FLA:**

The FLA confirms the cooperation of Gildan suppliers during IEM visits. In December 2005, Gildan intervened positively in a scheduling misunderstanding between an accredited monitor and management of a Gildan-owned factory. The verification audit was successfully rescheduled for a timeframe when the factory was open.

**7.3 Cooperates with FLA requests for information, clarification and follow-up in the IEM process**

**Actions Taken:**

Requests for information, clarification and assistance are promptly answered and followed up. Gildan has also recently sought to contact the FLA proactively and transparently with regard to audit results and retrenchments.

**Verification by FLA:**

The FLA confirms that Gildan responds promptly to all FLA requests regarding the IEM process. Gildan cooperated with a mission of experts convened by the FLA to examine the condition of the apparel industry of the Dominican Republic and develop recommendations on how to improve its competitiveness. FLA experts not only met with Gildan representatives in the Dominican Republic, but they also visited Gildan's knitting mill and were briefed by staff on the economics of the Dominican textile sector.

**8. COLLECTS AND MANAGES COMPLIANCE INFORMATION**

**8.1 Maintains a database**

**Actions Taken:**

Gildan has created a database to manage audit reports and track remediation.

**Verification by FLA:**

The FLA has seen significant positive development in Gildan's information management system through the initial implementation period. Gildan acknowledges that the system still needs further development as it is difficult to track the audit history for factories and run analysis. However, given the relatively small factory base, they are able to manage.

**8.2 Generates up-to-date lists of its suppliers when required**

**Actions Taken:**

Gildan is able to generate updated lists of suppliers when required.

**Verification by FLA:**

Gildan provides updates to the FLA on a regular basis.

**8.3 Analyzes compliance findings**

**Actions Taken:**

Gildan is building its database to allow for more sophisticated analysis of factory findings. Currently, Gildan is using an analysis template developed by [monitoring organization] to prioritize and track incidence of particular noncompliances.



**Verification by FLA:**

The FLA has reviewed reports on the Gildan analysis and has samples on file at the FLA offices. The FLA encourages Gildan to continue to strengthen the database's capacity for analysis.

**8.4 Reports to the FLA on those activities****Actions Taken:**

Gildan submits reports on its analysis to the FLA via the annual report and during headquarter visits.

**Verification by FLA:**

The FLA has reviewed samples of Gildan reports analyzing compliance findings. Samples of these reports are on file at the FLA offices.

**9. CONSULTS WITH CIVIL SOCIETY****9.1 Maintains links to organizations of civil society involved in labor rights and utilizes, where companies deem necessary, such local institutions to facilitate communication with Company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards****Actions Taken:**

Gildan has started to increase consultation with local stakeholders in Canada, the U.S. and Central America. Initially, most of the consultations with organizations such as [CSO] revolved around the [factory] case. Since 2005, Gildan has sought to maintain regular conversations with a variety of CSOs. Gildan has also recently joined the [CSO].

Gildan also works with a number of non-governmental organizations in Canada and in Honduras as part of its donation and community development programs. As part of its community development work, Gildan contributed to the establishment of an [institute] and provides scholarships to over 50 students per year from all over Central America. Gildan has received a number of awards in Canada for its charity and community development work.

**Verification by FLA:**

The FLA has interacted with many of these groups and can confirm Gildan's relations with them. Most recently, Gildan's Director of CSR attended the April 2007 meeting of the [forum] and provided support to the scoping missions to Honduras and Nicaragua conducted by the [CSO]. Since the arrival of the new CSR Director, Gildan has increased its stakeholder consultation and outreach with civil society organizations.

The FLA has reviewed newsletter items about the [institute] and seen copies of the awards presented to Gildan.

**9.2 Consults knowledgeable local sources as part of its monitoring activities****Actions Taken:**

Gildan requires third-party monitors to engage with local stakeholders as part of the monitoring process. Gildan's compliance staff also meets with local stakeholders on a regular basis.

**Verification by FLA:**

The FLA saw copies of the audit instrument which includes a place to record information received from local stakeholders, but this information was not consistently provided. The FLA encourages Gildan to ensure that information received from local stakeholders is shared with auditors during the monitoring process.

**9.3 Consults periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate****Actions Taken:**

In 2004, Gildan established a dialogue with the [CSO] when workers of a Gildan contractor in Nicaragua [factory] presented a complaint. Gildan accepted to participate in meetings with members of the union in order to obtain a positive resolution for the workers.

Gildan has had regular communications with the unions at the [factories] in Canada.

**Verification by FLA:**

The FLA has reviewed documentation of the communication between Gildan and [CSO]. Documentation of the collective agreement with the unions in [factories] was also reviewed. Gildan's audit instrument includes a section for discussions with existing unions. The FLA encourages Gildan to continue to strengthen its relations with civil society organization and union at the local level in all manufacturing countries. The FLA also encourages Gildan to use the Communications Director's role in stakeholder outreach to help build relationships between local civil society organizations (CSOs) s and the factories located in the same countries; the factory management in Nicaragua was not aware of Gildan's outreach with the union organization.

**9.4 Assures the implementation of monitoring is consistent with applicable collective bargaining agreements**

**Actions Taken:**

Questions in Gildan's audit instrument check to see that collective bargaining agreements are upheld.

**Verification by FLA:**

Copies of the Gildan audit instrument are on file at FLA offices.

**10. PAYS DUES AND MEETS ITS OTHER PROCEDURAL REQUIREMENTS**

**10.1 Pays annual dues**

**Actions Taken:**

Gildan has paid its annual dues to the FLA.

**Verification by FLA:**

Gildan is up-to-date on its annual dues. Documentation is available at the FLA offices.

**10.2 Pays IEM administrative and monitoring fees**

**Actions Taken:**

Gildan is up-to -date on all relevant fees to the FLA

**Verification by FLA:**

Gildan has paid all relevant fees to the FLA. Documentation is available at the FLA offices.

**10.3 Signs and honors required FLA contracts**

**Actions Taken:**

Gildan has signed and honored required FLA contracts.

**Verification by FLA:**

The FLA confirms that Gildan signs and honors required FLA contracts.

**10.4 Submits factory lists, a standardized annual report and other information in complete form and on time**

**Actions Taken:**

Gildan submits factory lists, annual report and all requested information in a complete and timely manner.

**Verification by FLA:**

The FLA confirms Gildan has submitted factory lists and annual reports, in complete form in a timely manner.

## CONCLUSION

Accreditation of Gildan's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on Gildan. To check an affiliate's accreditation status, visit [www.fairlabor.org/accreditation](http://www.fairlabor.org/accreditation).