



GILDAN ACTIVEWEAR
ASSESSMENT FOR REACCREDITATION

~~XX~~ JUNE 2019

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Gildan’s Manufacturing Office in Rio Nance, Honduras

INTRODUCTION

On June 19, the FLA Board of Directors approved the reaccreditation of Gildan Activewear's social compliance program.









Affiliates eligible for accreditation agree to the respectful and ethical treatment of workers and the promotion of sustainable conditions through which workers earn fair wages in safe and healthy workplaces by adopting the FLA [Workplace Code of Conduct](#). Affiliates with accredited social compliance programs have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains and mitigate and remediate violations.

Accreditation is a multi-year process to assess the performance of a Participating Company against the FLA [Principles of Fair Labor and Responsible Sourcing and Production](#). During this process, FLA staff verify the implementation and effectiveness of a company's social compliance program through:

FLA ACTIVITY	PURPOSE
Headquarter (HQ) Assessment	<ul style="list-style-type: none"> • Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning • Review documentation, processes, and database capabilities
Field Office Assessment (as applicable)	<ul style="list-style-type: none"> • Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning • Review documentation, processes, and database capabilities
Field Observations	<ul style="list-style-type: none"> • Observe internal audits, training sessions, and/or remediation visits • Verification of progress over time and provide constructive feedback
Factory-Level Assessments (SCI & SCIV)	<ul style="list-style-type: none"> • Assess for labor violations at the factory-level so the company remediates identified labor violations sustainably
Annual Self-Assessment	<ul style="list-style-type: none"> • Review company-reported documentation, processes, capabilities and the evolution of the social compliance program
Safeguard Investigations	<ul style="list-style-type: none"> • Can occur throughout the company's FLA affiliation and provides insight into compliance programs, remediation strategies, and engagement with civil society, as applicable
Fair Compensation	<ul style="list-style-type: none"> • Review use of the FLA's Wage Data Collection Tool Kit in applicable facilities • Provide feedback on short- and long-term Fair Compensation plans and strategies to improve compensation for workers
Strategic Projects	<ul style="list-style-type: none"> • Learn about compliance strategies to detect and remediate complex issues, as applicable
Stakeholder Engagement	<ul style="list-style-type: none"> • Additional perspective, especially from civil society, on the social compliance program from relevant organizations

SECTION 1: GILDAN ACTIVEWEAR COMPANY AFFILIATE OVERVIEW

Name	Gildan Activewear Inc.	Category	FLA Participating Company
Location	Montreal, Quebec, Canada	Product	Apparel
Revenue	2.9 Billion USD	Applicable Facilities	90
FLA Affiliation Date	October 2003	Accreditation Date	June 2007
Gildan's Strengths & Recommendations for Improvement¹			
Workplace Standards 	Principle: Committed to accountability and transparency through established workplace standards.		
	Strength: Top management commitment, including the VP of Corporate Citizenship providing quarterly social compliance reports to the Board of Directors		
Supplier Training 	Principle: Obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.		
	Strength: Comprehensive training and capacity building for all facilities on workplace standards		
Functioning Grievance Mechanisms 	Principle: Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.		
	Recommendation for Improvement: Continue to ensure workers have access to functioning confidential reporting channels		
Timely & Preventative Remediation 	Principle: Works with suppliers to remediate in a timely and preventative manner.		
	Strength: Effective remediation actions to address violations found in Gildan and FLA Assessments		
	Recommendation for Improvement: Continue to remediate noncompliances and further develop programs to implement fair compensation program		
Responsible Purchasing Practices 	Principle: Aligns planning and purchasing practices with commitment to workplace standards.		
	Strength: Innovative application of responsible production and purchasing practices, especially in balanced planning and incentivizing owned facilities		
	Recommendations for Improvement: Implement documented incentives policy for contract facilities		
Consultation with Civil Society 	Principle: Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.		
	Strength: Engagement of civil society organizations in Central America, especially on issues of freedom of association and collective bargaining		
	Recommendation for Improvement: Continue to engage with civil society organization in all production and sourcing countries, especially in Asia		
Draft Board Resolution	The FLA Board of Directors approved the following resolution: Gildan Activewear Inc. is hereby granted FLA reaccreditation of its social compliance program.		

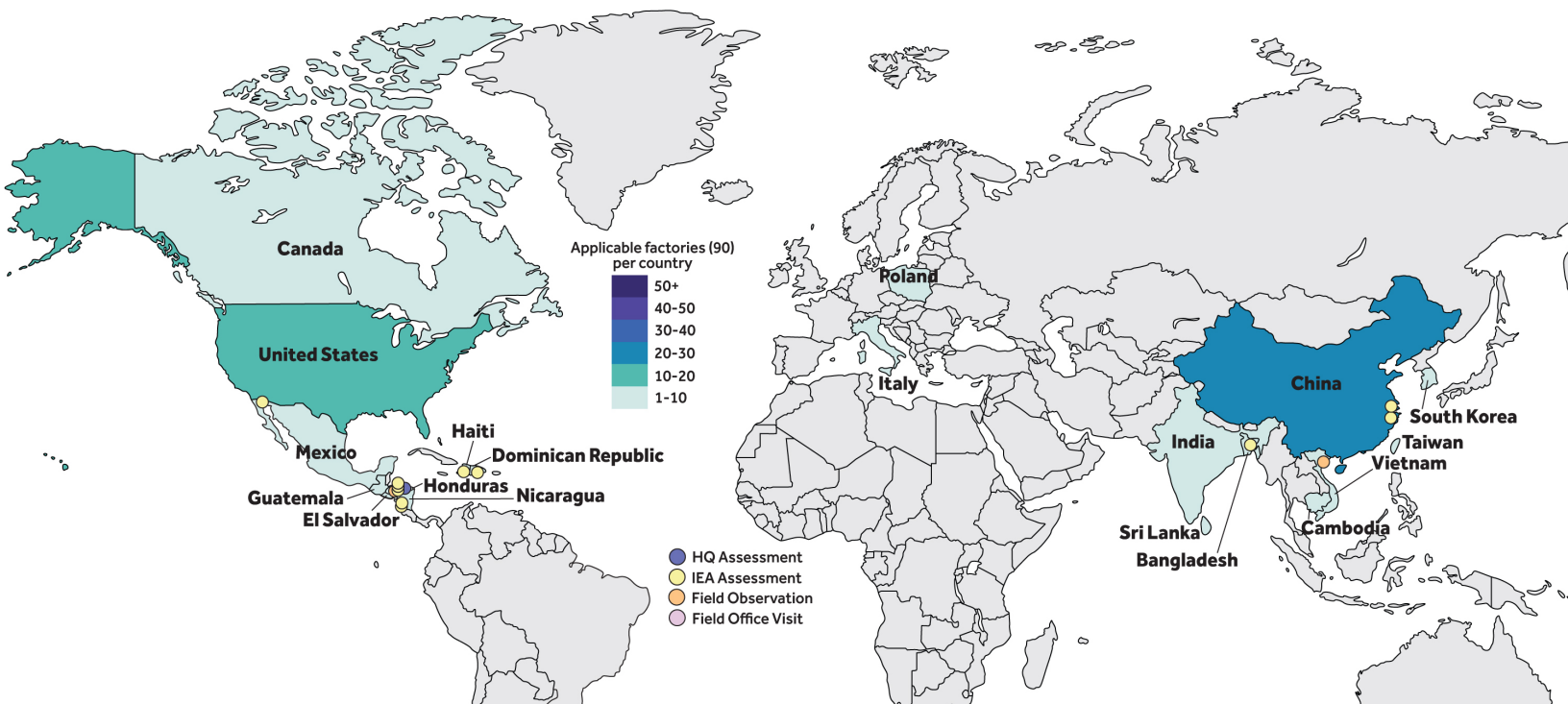
¹ To see the full list of FLA Principles and Benchmarks which Gildan was assessed for reaccreditation, see Appendix C.

Gildan Activewear Inc. (Gildan) is a Canadian manufacturer and marketer of everyday family apparel founded in 1984, with its headquarters in Montreal, Quebec. The company is a vertically-integrated manufacturer with operations ranging from yarn-spinning through to the final garment production. Manufacturing operations are managed from its office in Rio Nance, Honduras. Gildan's brands include: Gildan®, American Apparel®, Comfort Colors®, Gildan® Hammer™, Prim + Preux™, Gold Toe®, Anvil®, Alstyle®, Secret®, Silks®, Kushyfoot®, Secret Silky®, Therapy Plus™, Peds® and MediPeds®. Gildan has a vertically-integrated cotton supply chain; about 85 to 90 percent of Gildan's cotton is spun in the U.S. and shipped to Mexico, the Dominican Republic, and Central America for knitting, cutting, and sewing. Gildan has a Company-owned, vertically-integrated supply chain of 26 facilities that includes yarns spun in the Company's seven yarn-spinning facilities in the U.S.A.; fabric production in integrated textile facilities in Honduras, the Dominican Republic, Mexico and Bangladesh; a hosiery facility in Honduras and sewing facilities in Honduras, Nicaragua, Mexico, the Dominican Republic and Bangladesh. The Company also subcontracts sewing operations to dedicated sewing facilities in Haiti and outsources less than 8% of its annual revenues in products manufactured within outside contract manufacturing facilities. Gildan's fiber consumption is largely concentrated (greater than 85%) in cotton, of which almost all is U.S. cotton. Since its 2007 Accreditation, Gildan has acquired multiple brands, including additional facilities. FLA accreditation includes both contract and owned facilities and Gildan has applied the Principles of Fair Labor and Responsible Sourcing *and* Production to its social compliance program.

Gildan's Vice President of Corporate Citizenship, who reports to the President of Manufacturing, oversees an 11-person social compliance team. Gildan has staff in its high-production regions to conduct audits, train suppliers, and provide remediation guidance. A four-person team supports the development of communication materials about Gildan's social compliance program, including communication to workers, suppliers, head office staff, and other stakeholders. In 2018, Gildan restructured its social compliance program to oversee all contract and owned facilities and implement the FLA standards. Gildan's social compliance program is further supported by the Human Resources (HR), production, planning, and sourcing departments.

Gildan continues to improve its responsible purchasing practices, civil society engagement, and fair compensation in alignment with FLA standards. The FLA conducted a number of accreditation activities to ensure Gildan has applied a comprehensive audit and remediation program and continues to analyze its supply chain social compliance trends. Gildan continues to engage with civil society organizations like the Americas Group, the Worker Rights Consortium (WRC), and local unions established at its facilities. As of 2018, 55 percent of Gildan's manufacturing employees are covered by a collective bargaining agreement. Since its 2007 Accreditation, Gildan opened a new manufacturing hub in Bangladesh in 2010, and in 2019 announced plans to expand its presence there.

SECTION 2: GILDAN ACTIVEWEAR SUPPLY CHAIN & FLA DUE DILIGENCE 2008 – 2019



As of 2019, Gildan owns or sources from 90 applicable facilities. Gildan's highest production countries are Honduras, Nicaragua, the Dominican Republic, Mexico, and Bangladesh, where Gildan owns facilities. Gildan has the highest number of contractor facilities in China (25) and the United States (15). The above map shows Gildan's sourcing countries, countries where Gildan owns facilities, and the approximate number of factories in each highlighted country. From 2012 to 2019, Gildan received five Sustainable Compliance Initiative (SCI) Assessments and one Verification (SCIV) Assessment.

For the FLA's assessment for reaccreditation, the FLA conducted audit field observations in Vietnam and in Honduras in 2018, and a training field observation in Honduras in 2018. In September 2018, the FLA conducted the headquarter assessment in Rio Nance, Honduras to review implementation of the social compliance program.

SECTION 3: GILDAN SOCIAL COMPLIANCE PROGRAM ANALYSIS

Information used in this assessment originates from reports submitted by Gildan and verified by the FLA through:

- An assessment at Gildan’s Manufacturing Office in Honduras conducted by FLA staff in September 2018;
- Information gathered in person, via phone interviews, and through email correspondence with Gildan staff;
- Documentation review of supporting evidence submitted by Gildan;
- Field observations of two factory-level assessments in Vietnam and Honduras;
- Field observation of one training in Honduras;
- Results of FLA Independent External Assessments at Gildan facilities conducted by FLA assessors and accredited service providers; and
- Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS²

Workplace Standards

To guide its operations and business practices, Gildan aligned its [Code of Conduct](#) with the FLA Workplace Code of Conduct in 2017 and publicized the update and subsequent training for all staff in the [2017 annual report](#). The company’s standards in grievance mechanisms, documentation, and inspections meet or exceed the standards in the FLA Code of Conduct. Gildan recently revised its compliance benchmarks to ensure alignment with the FLA Compliance Benchmarks and to operationalize its Code of Conduct within its monitoring program. For newly acquired brands and production facilities, Gildan has established strict onboarding processes and training for all operations, including social compliance, purchasing, and production. The FLA has reviewed Gildan’s Code of Conduct and newly revised Compliance Benchmarks to verify implementation of FLA standards.

Senior Management Commitment

Gildan’s senior leadership emphasizes that they precipitate the success of the company on the success of its people, including production facility staff. Gildan’s core company values, highlighted in the company’s [annual reports](#), are entrepreneurship, people, and responsibility. The reports include commitments to sustainability and human rights from Gildan’s CEO and the Vice President (VP) of Corporate Citizenship, who oversees the social compliance program. The VP of Corporate Citizenship, who reports to the President of Manufacturing, is featured prominently in Gildan communications, training materials, and speaking engagements. The FLA interviewed the President of Manufacturing, who reports to the CEO, to verify the role of top management in supporting the development and growth of Gildan’s social compliance program. During this interview, the President of Manufacturing discussed the importance of Gildan’s growth with the FLA in understanding workplace standards and remediation.

Gildan’s Board of Directors is also involved in the application of workplace standards. Gildan’s VP of Corporate Citizenship presents social compliance audit results and remediation status to Gildan’s Board of Directors. The FLA reviewed these presentations and meeting minutes and verified that the Board discussed exiting contract facilities that have performed poorly or have not shown remediation. Additionally, these minutes discuss how the Board holds management at owned facilities accountable for audit findings and remediation.

² Principle 1: Company affiliate establishes and commits to clear standards.

Gildan's top management has implemented comprehensive programs on corporate responsibility, and communicates about these programs publicly. The [Genuine Responsibility™](#) program, launched in 2002 and focused on worker empowerment, environmental conservation, and community support, serves as the umbrella for both sustainability and social compliance at Gildan. The program governs all operations including Gildan's Tier 3 yarn-spinning operations, Tier 2 textile facilities and Tier 1 sewing operations. The company published the fourteenth [Genuine Responsibility™ Report](#) and launched the Genuine Responsibility™ website in 2018 to publicize the company's corporate social responsibility priorities and initiatives. Both Gildan's Genuine Responsibility™ and annual financial reports mention the company's affiliation with the FLA. The 2017 Genuine Responsibility report notes the company's first accreditation in 2007, recognizes the FLA as a key stakeholder and partner, and details the company's work to collect data with the FLA fair compensation tool. The reports also mention Gildan's selection into the [Dow Jones Sustainability Index](#) for the sixth consecutive year. The FLA recognizes Gildan's increasing senior management commitment to improve working conditions and recommends Gildan continue to implement this commitment through Gildan's operations.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING³

Gildan Corporate Citizenship Staff

The Corporate Citizenship Department, led by the VP of Corporate Citizenship, manages Gildan's social and environmental compliance program. Within the department there are two teams focused on social compliance at the facility level: a team of four in Central America and a team of two in Asia. There is a third team focused on environmental sustainability, and a separate team devoted to CSR and sustainability-related communications. At Gildan's Rio Nance compound in Honduras, the HR, Quality, Labor Relations, Manufacturing, and Corporate Citizenship departments support the implementation of Gildan's social compliance policies and procedures at all owned facilities. For contract facilities, the Corporate Citizenship Department is responsible for ensuring contract facilities are held accountable for implementing Gildan's workplace standards.

Social Compliance Training

Gildan's social compliance staff are trained regularly by Intertek, WRAP, and the FLA on certifications, labor standards, and relevant local labor law. The Corporate Citizenship Department is subject to a company-wide performance system, which reviews individual employee performance and deliverables. Gildan leadership conducts performance reviews to determine the effectiveness of prior training, identify any training gaps, and develop annual training plans.

Training staff on Freedom of Association (FOA) is vital to Gildan's operations, as over half of Gildan's manufacturing workforce is covered by a CBA. Since 2016, the CSR and facility management staff in Honduras have participated in FOA training with the Commission for the Verification of Corporate Codes of Conduct (COVERCO) to improve communication with union leaders. COVERCO is a Guatemala-based civil society organization that provides monitoring, training, and investigation services to brands and manufacturing facilities throughout the Caribbean and Central America. To improve social compliance audit worker interviews, Gildan's internal auditors received training from a service provider that offers trainings on interview techniques. The audits the FLA observed in Vietnam and Honduras reflected the effectiveness of the training, as Gildan's internal auditors were knowledgeable and conducted comprehensive worker interviews.

³ Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office.

Gildan All-Staff Training

Gildan has taken a number of steps to ensure that all staff have comprehensive knowledge of Gildan's workplace standards. All Gildan employees attend new hire orientation provided by the HR and CSR Departments, which includes code of conduct training. Following the code training, participants take a quiz to ensure knowledge is gained from the training. At Gildan's headquarters in Montreal, senior management receives periodic refresher training on the code of conduct, and the Senior Manager, CSR LATAM, keeps detailed records of completed and outstanding trainings. This process was verified during the HQ Assessment, and included staff interviews to assess for knowledge of the workplace standards. The FLA recommends Gildan continue to train all staff regularly on its workplace standards.

PRINCIPLE 3: SUPPLIER TRAINING⁴**Supplier Commitment**

To ensure supplier awareness of and commitment to workplace standards, Gildan requires all suppliers (contractors) to sign its legally binding vendor agreement prior to receiving orders. The agreement is an extensive document that outlines all terms and conditions when producing Gildan products and includes expectations, processes, procedures, and helpful guidance for contractors. The vendor agreement also includes the Gildan code, expectations on assessments and remediation, other assessments suppliers may be subject to, like FLA assessments, and additional policies on unauthorized subcontracting, bribery, counterfeiting, anti-corruption, among others. Contract facilities for newly acquired brands sign the agreement in accordance with the timelines established through Gildan's onboarding process, in which brands integrate into Gildan standards, procedures, and operations. This process is further explained under Principle 5: Monitoring.

Conditioning Future Businesses on Suppliers' Improvement of Working Conditions

Gildan's vendor agreement includes a policy that allows Gildan to terminate a contractor business relationship if there is a breach of contract, insufficient remediation, or if certain findings of noncompliance are uncovered during an audit. After every social compliance audit, a facility receives a color rating; some ratings require facilities to improve performance to keep a relationship with Gildan:

- **Green or Yellow:** This rating allows and signifies a steady relationship with Gildan.
- **Orange:** The facility receives a follow-up audit to verify improvements within 3-6 months.
- **Red:** The facility receives a follow-up audit to verify improvements within 3 months.
- **Black:** Gildan terminates the business relationship; all open orders are completed and future orders are cancelled.

The color-coded audit rating is included in the vendor scorecard, further discussed in Principle 8: Responsible Purchasing and Production Practices.

The results of social compliance audits can have a direct effect on Gildan's sourcing decisions. Gildan has quarterly CSR Compliance Meetings to review the CSR status of owned and contract facilities. The FLA reviewed a sample of the minutes from the January 2018 meeting and verified participants discussed sourcing implications of contract facilities that had failed Gildan's compliance audit. Moreover, the minutes noted Gildan exited a number of facilities in 2017 due to a lack of compliance with the Gildan Code of Conduct, while the number of facilities with a passing audit rating had increased and the number of facilities with a failing audit rating had decreased. If a facility does not improve its working conditions after working with the Corporate Citizenship Department, Gildan

⁴ Principle 3: Company Affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.

implements its responsible exit procedures, which include guidance on responsible retrenchment, further discussed under Principle 8: Responsible Purchasing and Production Practices.

Supplier Training in Contract Facilities

Supplier training on workplace standards occurs across Gildan's sourcing regions and relationships. Contract facilities receive training from Gildan's Senior Manager, CSR Asia, who conducts an annual training for all contract facilities in that region. This training covers Gildan's monitoring program, Vendor Guidebook, code of conduct, facility rating program, and any other changes to the social compliance program. All contractors are invited and a webinar is available for those unable to attend. To ensure training effectiveness, attendees are asked to complete an evaluation and a survey. Moreover, the Senior Manager, CSR Asia, conducts many of Gildan's audits for these facilities and observes contractors implementing programs based on the trainings. For example, the Senior Manager received many questions regarding hours of work and how to comply with social insurance requirements in China following the 2018 training, which focused on these topics.

Along with the annual contractor training in Asia, Gildan invites all contract facilities in Bangladesh to attend trainings at its owned facility in Bangladesh. Gildan has trained contractors in Bangladesh on topics including the Gildan Code of Conduct, HR management, health and safety, personal protective equipment, and building safety. In Haiti, Gildan staff work with Better Work Haiti to regularly train contractors on similar topics and ensure training effectiveness. The FLA recognizes Gildan's workplace standards training in contract facilities as a strength of its program.

In countries where Gildan does not have a large production presence, Gildan's internal auditors provide guidance on workplace standards during the audit process to verify facility management understand Gildan's Code of Conduct and steps toward remediation. The FLA verified this onsite guidance during the 2018 Audit Field Observation in Vietnam.

Training in Owned Facilities

Gildan trains all manufacturing staff in its owned facilities annually on workplace standards and the Gildan Code of Conduct. In 2017, Gildan trained more than 28,000 employees on workplace standards. The Corporate Citizenship Department and corporate-level HR teams created these trainings and facility HR management trained manufacturing employees. The FLA observed a code of conduct training at an owned textile facility in Honduras in 2018. During this training, an HR manager trained approximately 25 production employees on the code of conduct in an interactive way, with time for participants to review the codes standards individually and then in small groups, and there was an activity at the end of the training to survey training effectiveness.



Gildan employees taking an ergonomic break at an owned facility in Honduras

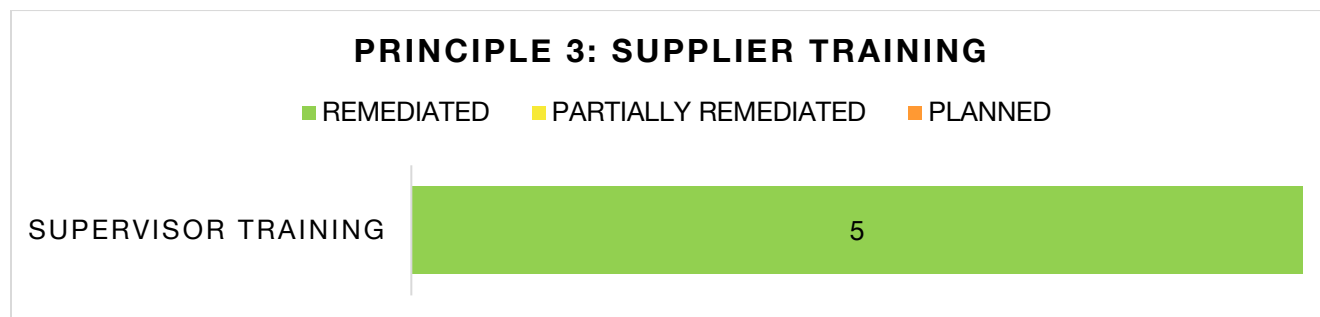
Along with its annual code of conduct training, Gildan provides onboarding training on the code and FLA standards for all new manufacturing employees. Also, Gildan has worked with COVERCO, a CSO in Central America, to deploy customized trainings on specific workplace standards at individual facilities. Over the past 10 years, COVERCO trained production workers, supervisors, middle management, and upper management in Gildan owned facilities in the Americas region. These

trainings cover a variety of topics, but focus on freedom of association. The FLA interviewed the founder of COVERCO about interactions with Gildan and how they work with the Corporate Citizenship Department, corporate and facility-level HR, facility management, and union representatives to develop and execute these trainings. After each training, COVERCO provides Gildan with a comprehensive report of the topics covered during the training and recommendations for next steps based on participant feedback. The FLA recognizes Gildan's engagement with COVERCO to train its staff on freedom of association in Central America as a strength of the Gildan social compliance program.

Training for Workers, Managers, and Supervisors on Workplace Standards

To ensure that all workers have access to the Gildan Code of Conduct, Gildan's vendor agreement requires all facilities to post the code prominently throughout each facility. Gildan's code is translated into all applicable languages: Bengali, Chinese, Creole, English, French, Hindi, Italian, Khmer, Korean, Polish, Sinhalese, Spanish, Tamil, Urdu, and Vietnamese. As part of Gildan's monitoring program, auditors must confirm the code is posted in the correct languages. During the 2018 FLA Audit Field Observation in Vietnam, the auditor found that Gildan's updated code was not posted in the facility. This issue was listed as a finding in the audit report and Gildan required the facility to remediate the issue immediately. Gildan's monitoring program requires auditors to verify worker, manager, and supervisor understanding of workplace standards during interviews.

The following chart shows the number of SCI and SCIV Assessment violations the FLA found related to Supervisor Training (ER.17) in Gildan facilities between 2012 to 2017. The FLA found five violations in four facilities. Gildan and its contractors have remediated all five of these findings. During an SCI Assessment in 2015 in China, assessors found supervisors not formally trained on national laws and regulations or the FLA Workplace Code of Conduct. Gildan worked with the contractor to create a training program with information on key regulations and the workplace standards in the FLA Code of Conduct. Gildan also worked with facility management to create a review process to update the training materials whenever there are changes in regulations or workplace standards. The FLA recognizes this example of remediation, which is common practice for Gildan, as a strength of Gildan's social compliance program.



The ways Gildan trains workers, supervisors, and managers on workplace standards and the code of conduct are a strength of the social compliance program and the FLA recommends Gildan continue to provide these trainings at regular intervals and use participant feedback to inform and improve future trainings.

Ensuring Training Effectiveness

Gildan's training team uses interactive activities and quizzes to help participants retain the content of the training. The Gildan Code of Conduct training includes an interactive matching activity where participants work in small groups to connect workplace violations to specific code elements. During the observed training in Honduras in 2018, participants actively engaged in this activity. After every

code of conduct training, Gildan deploys a post-training quiz to assess whether participants retained knowledge. The FLA reviewed a selection of completed quizzes to confirm workers were knowledgeable about the code of conduct.

Gildan ensures that workers are receiving training by requiring Gildan auditors to review training records and ask about knowledge gained during worker interviews. During the 2018 Audit Field Observation at an owned facility in Honduras, Gildan auditors reviewed these records and discussed trainings with workers. The workers interviewed remembered the last time they were trained and were knowledgeable about Code of Conduct specifics.

Finally, Gildan deploys a “pulse survey” to measure employee engagement and commitment every two years. Gildan surveys a statistically significant sample size at each facility and uses the survey results to address worker recognition, communication, and training. Gildan shares the results with all facility managers regarding their workers so they can develop action plans to address issues. Given the number of hours spent on training and the number of people trained annually, the FLA recognizes training effectiveness as a strength of the Gildan program.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁵

Functioning Grievance Mechanisms at Contract Facilities

Gildan’s Code of Conduct has a distinct code provision for grievance mechanisms which requires that contractors have a system for employees to lodge grievances in a confidential manner, free from retaliation. The Gildan Vendor Guidebook notes grievance procedures must be regularly communicated to workers, trusted by workers, and enable workers to consult and participate with management on workplace issues. The system must also be confidential, explicitly state a non-retaliation policy, and specify how grievances can be settled. Finally, the guidebook requires contractors to train their workforce on how to properly use the grievance mechanisms.

The audit process includes the evaluation of functioning grievance mechanisms at contract facilities. Auditors are required to review grievance documents and ask workers about grievance mechanisms during worker interviews. During the 2018 Audit Field Observation at a contract facility in Vietnam, Gildan’s auditor evaluated the grievance mechanisms during document review and management and worker interviews. During the worker interviews, workers were knowledgeable of the facility’s grievance mechanisms and preferred to voice their concerns to union representatives or HR staff.

Functioning Grievance Mechanisms at Owned Facilities

Gildan’s policies and procedures on grievance mechanisms require each facility to have suggestion boxes, worker-management committees, roundtable sessions between management and workers, an open-door policy with HR, and Gildan’s corporate hotline posted throughout the facility. Where there is a CBA in place, the union may also serve as a grievance mechanism. Each of these mechanisms has its own procedures and guidance documents, and the Gildan Quality Department oversees the implementation of these procedures across all owned facilities to ensure consistency and compliance. Grievances submitted through the suggestion boxes and roundtables work on a monthly cycle in which grievances are collected during the first and third weeks of every month, and the facility’s action plan is reviewed by an interdisciplinary committee the fourth week of every month. Once the action plan is approved, the grievances and action plans are posted on bulletin boards in the applicable facility with the complainants’ anonymity protected. The FLA reviewed these

⁵ Principle 4: Company Affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

procedures during the headquarter assessment and observed grievances and action plans on bulletin boards during the 2018 Audit and Training Field Observations in Honduras.

The Gildan CSR and HR teams also have robust monitoring systems to certify grievances are addressed. When Gildan receives a grievance through a suggestion box, the HR Department categorizes the issue as compensation, training, benefits, food quality, among others. The HR Department then creates a corrective action plan for all responsible parties. This action plan is tracked and shared with the grievance committee, who can respond, as needed. The responsible part(ies) must report progress on a monthly basis until the grievance is resolved. The HR team tracks the number of grievances by category and completion percentage for all owned facilities. This process is similar to the action plan process used by owned facilities, outlined under Remediation section of this report. The FLA recognizes Gildan's internal grievance procedures as a strength of its social compliance program.

Confidential Reporting Channel to Gildan Headquarters

To ensure that workers have an alternative in case the facility's grievance process has not met their needs, Gildan's [Genuine Responsibility™](#) webpage includes an [email address](#) for workers to submit grievances directly to Gildan's headquarters. The Gildan Corporate Citizenship Department regularly monitors this email, and workers from contract and owned facilities may submit grievances through this channel. Workers can submit grievances in their local language and communication is confidential. Furthermore, Gildan's monitoring guidelines require auditors to provide this email address to all workers and their direct contact information to a random selection of interviewed workers. The FLA verified this procedure and practice during the 2018 Audit Field Observation in Vietnam.

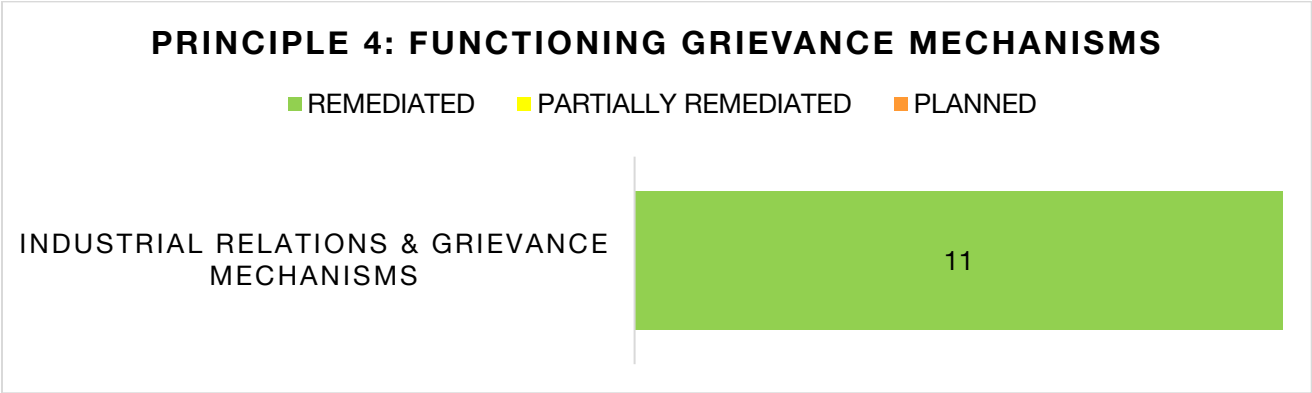
To operate the Gildan Ethics and Compliance Hotline for its owned facilities, Gildan partners with an independent company that specializes in handling confidential reports of workplace and ethical issues. Every quarter, Gildan's Ethics and Compliance, Audit and Finance, and Compensation and Human Resources Committees review a comprehensive report of complaints received. The hotline number is posted throughout owned facilities and is always available to workers. Stakeholders can anonymously report concerns in different languages. During the 2018 Audit and Training Field Observations in Honduras, the FLA verified the hotline is posted throughout the facility and the auditor asked workers about the hotline during interviews; all workers were aware of the hotline. The FLA also verified workers are trained on the confidential reporting channel. During an SCI Assessment at an owned facility in Mexico in 2019, however, the assessor determined the hotline has limited capacity for Spanish speakers. In response, Gildan's Ethics and Fraud Committee further tested the hotline and observed similar issues, so Gildan started looking for alternative service providers with greater language capacity; Gildan started testing a new service provider in May 2019. The FLA recommends Gildan monitor this transition and ensure all workers are trained to trust and use the new system.

FLA Assessment Violations & Remediation Progress

The chart below shows the number of SCI Assessment violations the FLA found related to Industrial Relations & Grievance Mechanisms (ER.25) while assessing Gildan facilities from 2012 to 2017. The FLA found 11 violations in four different facilities. The FLA recognizes Gildan and its contractors have remediated all 11 of the violations.

During an SCI Assessment in 2012 at a contract facility in Haiti, FLA assessors determined the facility did not have a confidential grievance mechanism in place or procedures to escalate the grievance if an issue was not settled directly by an immediate supervisor. Gildan worked with the facility to create confidential suggestion boxes, periodic round tables between workers and HR, an open-door policy, and training for workers, managers, and supervisors. During an SCI Verification (SCIV) Assessment at this facility in 2017, assessors noted the new grievance mechanisms, policies, and training. They also

noted, however, the suggestion boxes were not regularly monitored and workers preferred to communicate grievances verbally to their supervisors or HR. In response, Gildan continued to work with the facility to improve suggestion box monitoring and grievance training. The FLA recognizes Gildan’s remediation of grievance mechanism violations as a strength and recommends Gildan continue to partner with contractors to ensure supervisors, workers, and managers can access effective grievance mechanisms.



Ensuring Training for Workers, Supervisors, and Managers on Grievance Mechanisms

To ensure that all workers, supervisors, and managers are aware of the available grievance mechanisms, Gildan’s vendor agreement, guidebook, and code of conduct require every contract facility to train their workforce on the grievance procedures and applicable rules. Gildan’s audit tool requires auditors to review grievance procedures, records, and training materials. During worker interviews, the tool requires auditors to ask questions about grievance mechanism trainings. In Vietnam for the 2018 Audit Field Observation, the auditor reviewed training materials and discussed grievance mechanism training during the worker interviews. Gildan’s internal audit process for owned facilities includes the same standards and the FLA observed these standards in practice during the 2018 Audit Field Observation in Honduras.

Gildan trains contractors to properly create and implement grievance procedures during contractor trainings. For countries where Gildan does not have a large production presence, Gildan provides onsite guidance on grievance policies and procedures, which occurred during the 2018 Audit Field Observation in Vietnam. If a contract facility needs further support to establish functioning grievance mechanisms, Gildan sends staff with expertise in HR or CSR management systems to support, which the FLA confirmed happened at a contract facility in Haiti.

Gildan regularly trains all staff in owned facilities on the grievance mechanisms code provision. During the FLA-observed training in 2018, the trainer included information on the various grievance mechanisms, such as roundtables, suggestion boxes, the Integrity and Social Responsibility Hotline, and speaking with supervisors and/or HR. After the training, the FLA interviewed participants, who were all aware of and were confident using the multiple channels to raise grievances. Gildan’s social compliance program and procedures helps ensure grievance mechanisms function properly and all workers are empowered to use them.

PRINCIPLE 5: MONITORING⁶

Pre-Sourcing Assessments for Contract Facilities

Prior to sourcing from a contract facility, Gildan conducts various assessments to review workplace standards, quality control, due diligence, and cost efficiency; these assessments then inform Gildan's sourcing decisions. For workplace standards, Gildan requires a profile and self-assessment from every new facility, and then conducts a full audit of the facility. Gildan evaluates new contract facilities in the same manner as existing facilities; the facility receives a color rating after the audit. If the facility receives a green, yellow, or orange rating, the facility is approved for production. Gildan does not approve facilities that receive a red or black rating.

Pre-Production Assessment Process for Owned Facilities

Gildan has implemented a robust process to govern the implementation of workplace standards in all facilities that are newly built or acquired. Gildan's standard operating procedure requires all staff be trained on Gildan's processes and workplace standards. This procedure includes an implementation calendar for the facility's deliverables related to CSR and environmental protection. Deliverables include posting and following the Gildan Code of Conduct and CSR standards, updating internal HR policies and procedures, training management and employees, assessing the CSR structure and any customer CSR requirements, integrating the new site into the FLA factory list, and engaging with relevant stakeholders and civil society organizations (CSOs). The facility then receives three types of audits: a mock Gildan CSR audit, CSR audits of any contractors of the facility, and a full Gildan CSR audit. A Gildan Corporate Citizenship Department team member is responsible for each task and provides status updates until completion. The FLA reviewed these calendars and interviewed HR, Quality, and Corporate Citizenship staff to verify implementation, and conducted an SCI Assessment in 2019 at a recently-acquired facility to ensure Gildan had followed its policies and procedures on workplace standards and CSR at the facility. The owned facility processes governing pre-sourcing and post-acquisition are a strength of Gildan's program and help ensure new facilities uphold workplace standards prior to producing Gildan orders.

Assessing Facility Conditions

Gildan audits all facilities regularly to assess facility conditions against Gildan's workplace standards, adjusting audit frequency as needed depending on prior audit results. In 2017, Gildan conducted 238 social compliance audits at owned and contract facilities. Gildan audits owned textile facilities under the same program as the cut and sew or final manufacturing facilities and regularly visits its owned spinning mills in the U.S. to review health and safety conditions. The auditing system includes distribution centers, where Gildan reviews health and safety conditions and loss days for accidents and incidents. Gildan's facilities are subject to external assessments from buyers and other certification schemes. One Gildan facility may receive six to eight audits a year depending on customer requirements. Due to buyer audit requirements,



Machines at an owned hosiery facility in Honduras.

⁶ Principle 5: Company affiliate conducts workplace standards compliance monitoring.

Gildan must input remediation and audit information into ten different data systems. During the HQ Assessment, Gildan staff discussed the time and resources needed to deploy Gildan’s monitoring tool and concurrently meet all buyer and certification scheme requirements.

Gildan’s Internal Social and EHS Compliance Monitoring Guidelines provide internal and external auditors with detailed instructions for all aspects of a Gildan audit. They include all elements listed in [Principle Benchmark 5.3](#). Gildan’s Corporate Citizenship Department conducts all audits in the Western Hemisphere, China, and Vietnam. In Bangladesh, and elsewhere Gildan does not have a significant production presence, Gildan works with a third-party audit service provider. Gildan’s guidelines require auditors to conduct worker and management interviews, consult with unions and/or worker representative structures, review documents, conduct a visual inspection, and review occupational health and safety. These guidelines cover all parts of the audit, from ensuring that union representatives are present during the opening meeting and all areas are visited during the facility tour, to developing rapport with workers during interviews. The guidelines also outline country-specific steps auditors must take, like structural, electrical, and fire safety requirements in Bangladesh facilities.

FLA Observations of Gildan Audits & Recommendations

During the 2018 Audit Field Observations in Vietnam and Honduras, the FLA observed a comprehensive audit program and verified the implementation of the Internal Social and ESH Compliance Monitoring Guidelines. Both audit field observations included all of the elements outlined above and listed in [Principle Benchmark 5.3](#). During the first audit field observation at a contract facility in Vietnam, the FLA verified Gildan had executed a comprehensive audit process; however, the FLA recommended increasing the number of worker interviews, posting the updated code of conduct, and working more with contractors on root cause analysis.

During the second audit field observation at an owned facility in Honduras, the FLA verified Gildan had followed prior FLA recommendations to increase the number of worker interviews and post the updated code of conduct throughout the facility. This observation took place at an owned facility, so the root cause analysis process observed differed from the contract facility process in Vietnam. Though union representatives were not included in the opening and closing meetings, Gildan’s auditors conducted an in-depth interview with the union leader during the audit. After this observation, the FLA recommended all worker interviews include questions on grievance mechanisms, union representatives be included in the opening and closing meetings, and suggestion boxes be placed in more private areas. After the audit, the FLA verified Gildan facility management moved the suggestion boxes, reinforced the requirement to include union representatives during the opening and closing meetings, and included questions on grievance mechanisms during worker interviews.

The FLA recognizes the strengths of Gildan’s Monitoring Program and commends Gildan’s willingness to incorporate FLA recommendations to improve its program and working conditions. The FLA recommends Gildan continue to require auditors to abide by the Internal Social and EHS Compliance Monitoring Guidelines during all audits and receive regular training to improve audits.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION⁷

Gildan Social Compliance Data Management

Gildan has a comprehensive system for storing data collected through social compliance audits for all contract and owned facilities. Through their CSR platform, Gildan tracks address and contact information, historic audit data, root causes of noncompliance, previous labor disputes, incidents,

⁷ Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

accidents, and presence of union or worker representative structures. Gildan also uses this platform to house data related to Gildan’s environmental sustainability program, corrective action plans (CAPs), and remediation updates. This database also tracks each facility’s rating, based on the most recent audit. The database also includes a timeframe for remediation, an area to upload CAPs, and the responsible parties. The Corporate Citizenship Department, contractors, management at owned facilities, audit service providers, and sourcing and production staff all have access to the CSR platform, which enables all relevant parties to understand the social compliance performance of a given facility at any time.

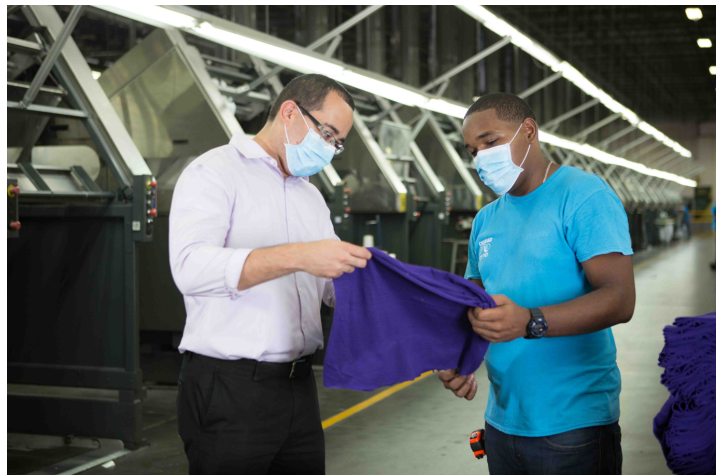
Analyzing Social Compliance & Supporting Data

Gildan uses its platform to synthesize data to analyze trends regarding labor violations and remediation actions. Gildan benchmarks the performance of its contract facilities and presents this analysis to senior leadership, who then review the progress of contractors to set targets to increase performance of lower-rated facilities. Gildan also maintains a facility dashboard to show common trends and remediation progress at its owned facilities. These dashboards include metrics and indicators of CSR performance, environmental sustainability, accidents and incidents, compensation rates, major and recurrent audit findings, union status, audit certification, and remediation progress. Gildan’s Board of Directors reviews owned facility remediation actions quarterly, as verified by the FLA’s review of audit committee presentations and minutes.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION⁸

Tracking Remediation at Owned & Contract Facilities

Gildan tracks that violations are remediated through its follow-up audit process. Owned and contract facilities that receive an orange or red audit rating receive additional follow-up audits to confirm remediation. All facilities are required to provide a CAP and upload it to Gildan’s CSR platform, while owned facilities must provide documentation for Gildan’s Corporate Citizenship Department to validate remediation progress until actions are completed. Violations are defined as minor, moderate, or major, and have defined timelines for remediation. The FLA reviewed Gildan’s standardized procedures to track remediation actions are implemented and verified the procedures include union and/or worker representative structures in the closing meeting of the audit and remediation process.



A manager and an employee at an owned facility in the Dominican Republic

Through interviews at the HQ Assessment, the FLA confirmed the comprehensive remediation process for owned facilities. Gildan follows a remediation process for its global corrective and preventative actions system, aligned with international quality and operational standards, which includes the remediation of labor violations and root cause analysis. This system is implemented with the support of Gildan’s HR, Health & Safety, and Planning & Production Departments. Following the internal audit, the facility works with a coordinator from Gildan’s corporate office to define and execute the remediation and preventative actions

⁸ Principle 7: Company Affiliate remediates in a timely and preventative manner.

according to the system. The objective of this system is to ensure any changes to Gildan procedures are documented appropriately and executed in alignment with Gildan's internal quality and operational standards. Changes to procedures because of a facility's CAP or root cause analysis can lead to the adoption of these changes in other owned facilities. Gildan coordinators also ensure the facility meets system-defined targets and they help the facility identify procedures and policies that require changes, updates, or training. When remediation actions exceed a facility's internal budget, Gildan's Corporate Citizenship Department works with the facility to extend the timeline for remediation and escalate the process for additional budget approval.

Root Cause Analysis

Gildan provides guidance to all facilities on root cause analysis, following the "5 Whys" methodology for remediation. All facilities are required to include root causes as part of the CAP uploaded into Gildan's CSR platform. Gildan also trains all facilities to use the "5 Whys" methodology when identifying root causes of labor violations. The FLA validated that root causes are included as part of the CAP process for all facilities and reviewed Gildan's training materials on root cause analysis.

When labor, health & safety, HR, or production planning violations are found at an owned facility, they trigger Gildan's global corrective and preventative actions system which includes a more intensive root cause analysis process. Owned facilities will use the "5 Whys" and the Ishikawa (fishbone) root cause analysis methodologies to identify further sustainable and preventable actions to mitigate reoccurrence. The FLA reviewed root cause analysis triggered by excessive overtime violations in an owned facility. The remediation process included revisions to the operations procedures and training to ensure workers stay under hourly limits according to local law and Gildan's Code of Conduct.

Effective Remediation

Gildan holds facilities accountable to remediate violations through its CSR Platform and follow-up audit process. Gildan reviews remediation trends year-by-year to identify facilities that have made progress in remediation or facilities that show a lack of commitment and progress to improve working conditions. Where there are systemic challenges to remediate labor violations, Gildan provides guidance, expertise, and resources to owned and contract facilities, often gleaned from other owned facilities that have made successfully remediated similar violations. Gildan provided HR support and guidance to a contract facility in Haiti to improve working conditions, HR management practices, and grievance mechanisms. During the 2018 Audit Field Observation in Vietnam, the Senior Manager, CSR Asia, provided remediation guidance to the facility management after the audit identified recurring labor violations.

FLA Factory Assessment Violations & Remediation Progress

The chart below shows the number of findings related to Protection of Pregnant Workers & New Mothers (ND.8), Personal Protection Equipment (HSE.7), and Fire Safety & Emergency (HSE.5) found in Gildan's SCI and SCIV Assessments between 2012 and 2017 in five facilities. A chart of all remediation progress from Gildan's SCI Assessments is included in Appendix B.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED

PROTECTION OF PREGNANT WORKERS &
NEW MOTHERS

1

PERSONAL PROTECTIVE EQUIPMENT
(PPE)

8

1

FIRE SAFETY & EMERGENCY

14

Protection of Pregnant Workers & New Mothers: The FLA found one violation during its 2012 SCI Assessment of a contract facility in Haiti; pregnant workers were in the stain removal area and regularly exposed to chemicals and fumes. During the 2017 SCIV Assessment, the FLA verified pregnant workers were no longer working in the stain removal area and the facility had implemented policies and procedures to further protect pregnant workers and new mothers.

Personal Protection Equipment (PPE): In the five assessments conducted since 2012, the FLA found nine violations involving the use of PPE; eight findings have been remediated. One violation found during the 2016 SCI Assessment in Bangladesh, involves providing workers who use the pallet truck and forklift with safety shoes, and is in progress.

Fire Safety & Emergency: Of Gildan's five SCI or SCIV Assessments from 2012 to 2017, the FLA identified 14 total findings related to fire safety and emergency in Gildan facilities. For each violation, the facilities and Gildan developed and submitted a CAP to the FLA. Based on FLA review of Gildan's remediation progress, all of these findings have been completely remediated. To remediate these findings, Gildan continues to upgrade machinery and equipment to align with FLA recommendations and provide training for facility staff to achieve certifications and qualifications. The FLA notes Gildan had engaged with The Bangladesh Accord on Fire and Building Safety and the Alliance for Bangladesh Worker Safety through buyers that were signatories of these initiatives. This Gildan facility also participated in assessments from the Accord and the Alliance, along with implementing its corrective action plans. The FLA recommends Gildan continue to monitor fire safety and emergency working conditions at the facility.

PRINCIPLE 8: RESPONSIBLE PURCHASING AND PRODUCTION PRACTICES⁹**Gildan's Production Planning and Sourcing Policy**

Gildan's Production Planning and Sourcing Policy upholds responsible practices throughout its production and sourcing supply chains. The policy's objective is to align production planning, sourcing, material purchasing, and manufacturing practices to Gildan's Code of Conduct throughout all owned and contract facilities and all Gildan brands and licenses. The policy, reviewed by the FLA, identifies the sourcing, capacity planning, operations materials procurement, and senior management and due diligence committees as key to achieve this objective.

⁹ Principle 8: Company Affiliate aligns sales and planning practices with commitment to workplace standards.

This umbrella policy covers procedures and practices to implement responsible purchasing and production practices. There are procedures and processes in place to ensure that Gildan's purchasing and production practices are implemented throughout the practices of relevant staff. Examples of how Gildan implements its operational plans to reduce overtime and overstock, balance planning, manage overtime through its owned facilities, contractors, and material suppliers are discussed throughout this Principle section.

Gildan's Retrenchment Guidelines

Gildan's Retrenchment Guidelines, applicable to owned and contract facilities, outline how the company mitigates retrenchment and closures. The guidelines outline the communication and accountability procedures to notify Gildan's Corporate Citizenship Department in the event a reduction in orders or exiting a contract facility may cause worker layoffs. Gildan's Corporate Citizenship Department ensures all contract facilities follow the retrenchment policies, standards, and procedures. The standards for managing retrenchment include:

- Workers are selected objectively when making a layoff decision;
- Terminated workers must receive all unpaid entitled wages, benefits, and severance packages;
- All termination requirements are in accordance with local, national, and international law and the CBA; and
- Where possible, the facility and/or Gildan will coordinate with local authorities and/or NGOs to support laid-off workers in their job search.

The Corporate Citizenship Department ensures every facility complies with these guidelines through the Gildan audit and remediation processes. The FLA recognizes Gildan for following these guidelines on retrenchment with facilities in anticipation of changing economies and job markets. The FLA recommends Gildan continue to partner with facilities to mitigate the negative impacts of retrenchment and closure.

Training Relevant Staff on Responsible Production and Purchasing Practices

Gildan's relevant staff are trained on and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance. Gildan trains staff on responsible production and purchasing practices and relevant staff hold regular discussions. The FLA verified training took place for relevant staff on the FLA's Principle 8 and the Gildan Code of Conduct. Relevant code topics included health and safety, hours of work, and compensation.

The Corporate Citizenship Department consulted with senior management of applicable departments to develop and execute the Production Planning and Sourcing Policy. This included mapping existing processes between the Planning and Sourcing Departments that uphold Gildan's Code of Conduct, including a training in 2018 at Gildan's Rio Nance Office in Honduras. Following the September 2018 HQ Assessment, the Corporate Citizenship Department continued to provide responsible production and purchasing training to its sales and planning teams in Bangladesh, Barbados, and North America. Gildan determines whether training on responsible production and purchasing practices is effective through short quizzes post-training; participants must complete the quiz in the company's internal system.

The FLA recommends Gildan continue to provide regular responsible production and purchasing practices training to all relevant staff and confirm training is effective by reviewing relevant examples and data analysis of code violations to Gildan's production and purchasing practices.

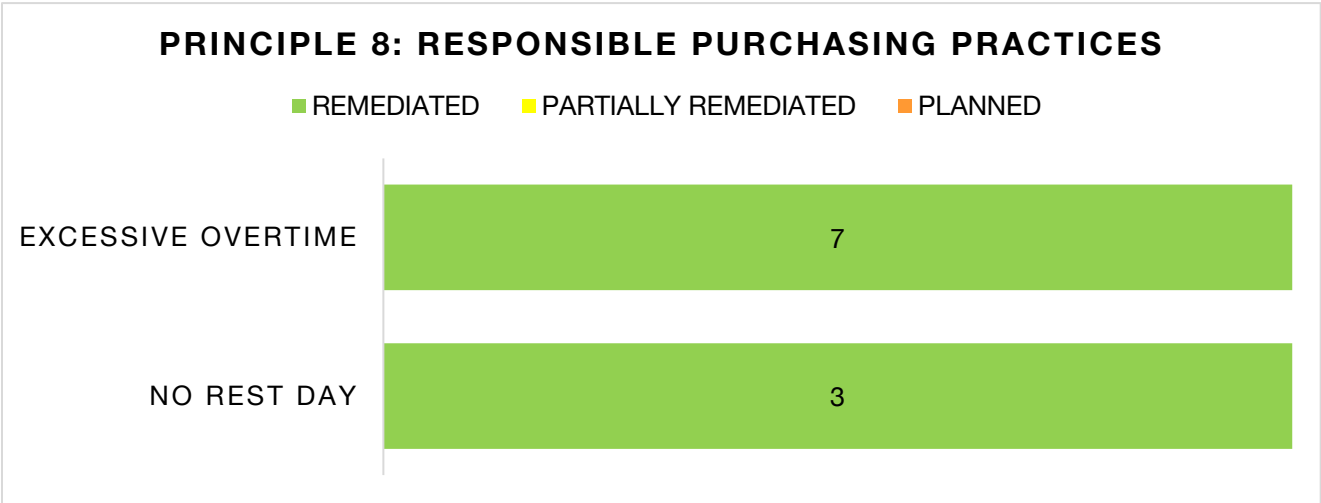
Holding Relevant Staff Accountable

Gildan holds relevant staff in the planning, sourcing, and sales departments accountable for upholding and applying responsible purchasing and production practices. The FLA reviewed job descriptions for capacity planning and sourcing staff, which include accounting for and respecting workplace standards when aligning production capacity with sales and demand management. Capacity planning staff regularly work on operations management and production plans to ensure purchase orders are completed in alignment with Gildan’s workplace standards for hours of work and compensation.

In interviews with the Vice Presidents of Product Innovation & Quality Assurance and Operations & Global Lifestyle Brands, the FLA gained insight into how Gildan upholds responsible production and purchasing practices. For example, at the time of the HQ Assessment in 2018, Gildan’s VP of Operations & Global Lifestyle Brands was devising a plan to balance production in some Gildan fleece facilities in Honduras. Due to social unrest in Nicaragua, Gildan had reallocated some production programs from Nicaragua to Honduras. During the 2018 Audit Field Observation in Honduras, the Gildan Corporate Citizenship Team determined the facility had workers working unplanned overtime and workers were regularly asked to volunteer for upcoming overtime. Gildan’s VP of Operations & Global Lifestyle Brands worked with Gildan’s contract fleece facilities within the region to reallocate some purchase orders to its contract facilities to mitigate further overtime at Gildan’s owned facilities.

FLA Factory Assessment Violations & Remediation Progress

Because planning, sourcing, and production practices often affect worker hours, the FLA reviews remediation of hours of work violations as one indicator of responsible purchasing practices. The below chart includes excessive overtime and rest day violations found during Gildan’s SCI and SCIV Assessments between 2012 and 2017. In five assessments, the FLA found a total eight violations, all of which Gildan has remediated. For the findings from the SCI Assessment in Bangladesh, Gildan has ensured workers receive a compensatory day off within three working days for instances when workers opt to work overtime instead of taking their regular day off. Gildan reported the facility has made on-going improvements to ensure the compensatory day-off is provided as a sustainable practice.



Dialogue with Relevant Staff & Customers on Responsible Production Practices

In order to mitigate negative impacts on workers, Gildan’s top management and relevant purchasing and production staff meet regularly with the Corporate Citizenship Team to discuss responsible purchasing and production practices. All owned and contract facilities receive a forecast projecting the programs and capacity of Gildan’s upcoming purchase orders and then a production plan from

capacity planning staff to discuss purchase order completion. When there are production challenges at owned facilities, Gildan's staff works together to reallocate orders among its network of contract facilities. This reallocation helps to mitigate excessive overtime and avoid retrenchment. Gildan's relevant production and purchasing staff are in regular communication with the Corporate Citizenship Department and facilities and the FLA confirmed Gildan has made reactive changes to mitigate excessive overtime and retrenchment.

Gildan has a vertically integrated supply chain starting from the fiber stage; Gildan spinning facilities purchase fiber, predominantly cotton, from the U.S. and parts of Asia to spin cotton fibers and knit into materials. Gildan communicates clearly with yarn-spinning and textile facilities to ensure material delivery is on time from yarn-spinning and textile facilities to final cut and sew facilities. Gildan also purchases approximately 35% of yarns consumed in its textile operations from contract yarn-spinners. Textile planning staff are in regular communication with the capacity planning staff.

In order to continuously improve their production practices, Gildan connects with its customers and licensors to garner feedback. Gildan has submitted the [Better Buying](#) survey at the request of a buyer. Better Buying is a non-profit funded by the C&A Foundation and Humanity United that asks suppliers to anonymously rate brand purchasing practices.

Fair Compensation & FLA Factory Assessment and Remediation Progress

As noted in the 2018 report, [Toward Fair Compensation in Bangladesh](#), the FLA found better wages for workers in facilities with social compliance programs that upheld workplace standards, particularly with regards to production planning. Wage data from Gildan's 2016 Bangladesh SCI Assessment was used to analyze the wages amongst FLA-assessed facilities. At the time of the report, Gildan's average net wage of workers was approximately 4,000 BDT less than the [Global Living Wage Coalition's](#) (GLWC) 2016 Living Wage estimate, though 6,000 BDT more than Bangladesh's minimum wage¹⁰. Gildan provided the FLA its updated wage dashboard in 2019, which verified that the average net wage had increased to about 11,000 BDT following the minimum wage increase to 8,000 BDT in 2018. Gildan's workers currently make more than 3,000 BDT higher than the 7,797 BDT FLA average identified in the report, and the wage gap between with the GLWC benchmark has decreased to approximately 2,000 BDT. Gildan has subsequently used the FLA Wage Data Collection Toolkit to review worker average net wages at its facilities each in the Dominican Republic, Honduras, and Nicaragua. Additionally, since nearly 55 percent of Gildan's production employees are covered by a CBA, workers have the ability to collectively bargain for competitive wages.

The below chart shows 15 total violations from five SCI and SCIV Assessments at four Gildan facilities on accurate wage records, calculations, and payments (C.5), minimum wage (C.2), fringe benefits (ER.22), and overtime payment calculations (C.7). Of the fifteen findings, Gildan has fully remediated fourteen violations. Gildan continues to work with a contract facility in Haiti to remediate the remaining violation regarding pension fund contributions. During the 2017 SCIV Assessment at this facility, the assessor determined workers' pension contributions were calculated based on Haiti's legal minimum wage, rather than the workers' average salary.

¹⁰ At the time of the FLA's report, Bangladesh's minimum wage was 5,300 BDT; Bangladesh's minimum wage is currently 8,000 BDT.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED

ACCURATE WAGE RECORDS, CALCULATION & PAYMENTS	1	
OVERTIME PAYMENT CALCULATIONS	1	
MINIMUM WAGE	3	
FRINGE BENEFITS	11	1

The FLA recommends Gildan continue to remediate violations concerning excessive overtime, compensation, and employment relationship and continue to engage with relevant staff and customers to confirm workers earn fair compensation without working excessive overtime.

Incentivizing Production Sites and Other Suppliers to Improve Conditions for Workers

In order to improve conditions for workers, Gildan rewards suppliers who have stronger adherence to workplace standards. Gildan's audit scoring system is integrated into its comprehensive facility ratings system, which rates contract facilities on quality, costing, delivery, and CSR. These ratings are considered when allocating Gildan programs and purchase orders.

Gildan further incentivizes contract facilities by recognizing top performing facilities. In each sourcing region, a facility is recognized based on achieving high scores on the defined key performance indicators in the rating system, including CSR. Gildan's sourcing staff also considers informal incentives, like increasing business to contractors that maintain a high compliance rating. The guidelines are managed by the Sourcing Department and include a high-level overview of the metrics used to evaluate Gildan contract facilities. The FLA recommends Gildan continue to use these guidelines to incentivize its contract facilities.

Owned facilities, including wet-process and textiles facilities, are also rated on their adherence to workplace standards and are eligible for additional incentives. Owned textile facilities are eligible for an award on quality and production, which encourages facility management to improve working conditions. Owned cut and sew facilities participate in a health and safety program to measure performance responding to accidents, incidents, and working conditions. Further, the general manager of each facility is held accountable during their performance review for the working conditions found during Gildan's audit. The FLA recommends Gildan continue to foster incentives for its owned and contract facilities to improve working conditions.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY¹¹**Civil Society Engagement Strategy**

Gildan [publicly commits](#) to civil society engagement and has developed objectives to engage with civil society. In 2017, Gildan conducted a materiality analysis to prioritize several key sustainability and corporate responsibility topics internally and with external stakeholders. Gildan prioritizes business practices, employees, environment, product, and society. Gildan mapped these priorities against the

¹¹ Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

UN [Sustainable Development Goals](#) (SDGs), specifically SDG 4: Quality Education and SDG 8: Decent Work and Sustainable Growth, and identified further interest in human and labor rights. Gildan defined the following CSO engagement strategy objectives through materiality analysis:

- Childcare rights and standards in Honduras;
- Union engagement and freedom of association in the Dominican Republic, Haiti, Honduras, and Nicaragua;
- Wages in Haiti; and
- Gender equality and women's empowerment in Bangladesh, the Dominican Republic, Honduras, and Nicaragua.

Gildan's CSO map includes organizations in Central America and Bangladesh. Gildan has prioritized CSO engagement in countries with owned production facilities, with the exception of Haiti. The FLA recommended Gildan map and engage with organizations in China, since Gildan has its highest number of contract facilities in that country. In 2019, Gildan added organizations operating in China to its CSO map. The FLA recommends Gildan continue to add additional organizations in all production and sourcing countries to its CSO map and refine its CSO engagement objectives as Gildan makes progress in addressing systemic labor violations in its global supply chain.

Civil Society Engagement

Since Accreditation in 2007, Gildan has continued to engage with civil society organizations, nonprofits, foundations, and other organizations on local labor issues.

Americas Group: Gildan is a member of this multi-stakeholder organization of brands and civil society organizations that work together on systemic labor issues in Mexico, Central America, and South America. The FLA actively participates with the Americas Group and verified Gildan's engagement and participation with the following committees:

Central America Committee: Gildan participates in the committee's initiatives on occupational health and safety, childcare legislation, and sexual harassment and abuse, especially in Honduras.

Mexico Committee: Gildan joined in 2018 to better understand legislation around the illegality of union inclusion and exclusion clauses in collective bargaining agreements (CBAs). In the spring of 2019, the Mexican government passed legislation that protects the rights of workers to freely associate or not with unions established at their workplace. It is no longer legal for unions to incorporate inclusion or exclusion clauses in CBAs that require workers to affiliate with the union to be employed at the workplace. Gildan continues to work with the committee to understand the operationalization of this new legislation in its contract and owned facilities.

Better Work in Haiti: Gildan has implemented programs to improve working conditions and regularly engages with Better Work Haiti on remediation efforts and training on HR management systems at its contract facilities. Gildan's contract facilities have also implemented a program to improve worker-management dialogue.

Center for Child Rights and Corporate Social Responsibility (CCR-CSR) in China: Following the FLA recommendation to improve CSO engagement in China, Gildan has been in discussion with [CCR-CSR](#) to launch a program for migrant parents and their children in three contract facilities in China. The two-year program includes training for migrant worker parents and the creation of child-friendly spaces in two facilities that would allow children to visit their parents, while ensuring children are not

allowed in the workplace. Gildan is in negotiations with CCR-CSR and expects to finalize the agreement to implement the program in 2019.

COVERCO in Central America: Gildan has partnered with COVERCO to train employees, middle management, and upper management at its owned facilities in Central America on freedom of association and collective bargaining. COVERCO has provided further training when cases of freedom of association violations have been found in Gildan facilities, further detailed in the section on FLA Safeguards.

Worker Rights Consortium (WRC) in Central America: Gildan has proactively and reactively engaged with the [WRC](#) on various issues in Central America, especially on union rights. The WRC has invited Gildan to participate in a panel on freedom of association for WRC's university members to better understand the complexities and opportunities to improve freedom of association conditions at the facility-level.

The FLA interviewed the WRC to verify Gildan's engagement. Throughout the discussion, the WRC showed recognition of the progress and commitment Gildan has made to uphold workplace standards. The WRC acknowledged that remediation can at times take longer than anticipated, especially with contract facilities. Nonetheless, the WRC was supportive of Gildan's improvements since its last accreditation towards freedom of association and collective bargaining.

Women empowerment in Honduras and Girls' education in Bangladesh: To promote gender equality and equity, and empower women in its owned facilities and the communities in Honduras and Bangladesh, Gildan has partnered with World Vision and Room to Read. In Honduras, Gildan worked with World Vision® and the Walmart Foundation to implement the Women's Empowerment Program focused in helping women develop the skills they need to become more active decision-makers and leaders in their jobs and their families. As part of its community programs in Bangladesh, Gildan partnered with Room to Read, a U.S.-based NGO, to support 160 girls through the Girls' Education program. Gildan also inaugurated a library in a school in Dhaka as part of this program.

Gildan has made improvements in civil society engagement since accreditation; the FLA recommends Gildan continue to expand its engagement in all production and sourcing countries to improve conditions for workers.

Unions & Worker Representative Structures

Since 54 percent of Gildan's manufacturing employees are covered by a CBA, Gildan regularly engages with unions on freedom of association, collective bargaining, grievances, and worker well-being. Gildan requires union engagement in its audit and remediation processes for owned and contract facilities. Managers and supervisors are also trained on union engagement on a regular basis.

The following chart shows the three total findings related to employer interference in union organization and operations, all from FLA SCI assessments in contract facilities in China. According to remediation updates reviewed by the FLA, Gildan has remediated all violations related to union organization and operations. The FLA notes, however, that the laws in China on freedom of association violate the FLA Compliance Benchmarks. Since union organization and operations are complex issues, especially in China, the FLA notes Gildan's remediation to uphold worker representation, and recommend Gildan continue to uphold workers' rights to union organization and operations.

PRINCIPLE 9: CONSULTATION WITH CIVIL SOCIETY

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED

EMPLOYER INTERFERENCE IN UNION
OPERATIONS

2

EMPLOYER INTERFERENCE IN UNION
ORGANIZING

1

FLA Safeguards

Gildan has been involved in two FLA Safeguards cases since its accreditation: one Third Party Complaint in [2013 in Honduras](#) which applied to all owned facilities in the country and another Third Party complaint specifically at [Star S.A. in Honduras](#) in 2012. In the 2013 case, the Collective of Honduran Women (Colectiva de Mujeres Hondureñas, CODEMUH) filed a complaint with the FLA about ergonomics at facilities in Honduras owned and operated by Gildan. The FLA hired ergonomics experts to conduct an assessment of Gildan's ergonomic program; these experts confirmed Gildan had ergonomic programs in owned facilities endorsed by world-class ergonomic consultants, but found implementation gaps and a need for worker engagement to better understand the program. The FLA verified Gildan has addressed the identified gaps and continues to implement ergonomics programs at its facilities through the 2018 Honduras Audit Field Observation.

In 2012, the FLA learned of worker unrest at Star S.A. following Gildan's acquisition of Anvil. The FLA commissioned COVERCO to conduct an investigation; COVERCO reviewed the situation, conducted stakeholder interviews, and investigated rumors of possible closure of the facility. COVERCO uncovered risks of anti-union activities and ineffective communication. COVERCO and the FLA recommended Gildan improve communication, reinforce the relationship with the union, circulate the current CBA, and ensure threats to union leaders are properly investigated and addressed. During the 2018 HQ Assessment, the FLA confirmed Gildan provided workers with the option to relocate to another facility in Honduras if concerned about the closure rumors. During the 2018 Audit Field Observation in Honduras, FLA staff interviewed workers who were formerly employed by Star S.A. and confirmed Gildan provides transportation to the new facility for these workers, since they live farther from the facility than from Star S.A. In June 2019, Gildan notified the FLA that they are considering closing the facility to relocate workers to other facilities; the FLA has been in discussion with Gildan and the union on this issue.

In October 2018, the FLA was notified of worker dismissals allegedly taken to prevent union organizing at one textile facility in Gildan's Rio Nance compound. The FLA worked with both Gildan and concerned FLA buyers to better understand the situation and support Gildan in remediation. Before the end of 2018, Gildan offered all previously dismissed workers reinstatement and back-pay; all workers accepted this offer in November 2018. Gildan also developed an action plan to improve freedom of association at the facility, including to acknowledge and regularly meet with the two unions that were in the process of organizing at the facility. The FLA continues to work with Gildan and the concerned FLA buyers to improve conditions at the facility. The FLA recommends Gildan continue to work collaboratively with the unions, the FLA, and concerned FLA buyers, to ensure workers' rights to freedom of association are upheld. The FLA also recommends Gildan and the unions work with a mediator to address risks of worker unrest and continue to train workers on the freedom of association policy.

PRINCIPLE 10: VERIFICATION REQUIREMENTS¹

Administrative FLA Requirements

Gildan has integrated its commitment to and fulfillment of FLA obligations into the Genuine Responsibility program and standard operating procedures. Gildan has maintained standard operating procedures regarding FLA affiliation since 2013, abide by the Principles, complete the annual self-assessment, fulfill Gildan's FLA factory assessment obligations, and maintain a complete and accurate factory list. Gildan has regularly participated in FLA factory assessments and has submitted timely corrective action plans and remediation updates. The FLA verified Gildan completed all administrative requirements toward reaccreditation: Gildan has paid all annual dues, submitted all annual self-assessments, received FLA assessments, and submitted remediation updates in a timely manner. Since affiliating with the FLA, Gildan has regularly attended FLA Board Meetings; the FLA encourages Gildan to serve on an FLA committee or working group, help facilitate a panel discussion, or contribute to FLA materials.

¹ Principle 10: Company affiliate meets FLA verification and program requirements.

SECTION 4: RECOMMENDATION TO THE FLA BOARD OF DIRECTORS

The FLA has provided a comprehensive review of the Gildan's social compliance program, highlighting where Principles have been fully implemented and where there are further areas for improvement. No labor compliance program is perfect, though the FLA expects accredited companies to commit to continuous improvement. On balance, FLA accreditation signifies a company has aligned its social compliance program with FLA standards, benchmarks, and protocols, and substantively improved conditions for workers. If a specific principle or benchmark is not yet met, accredited companies must address the gap, though this occurrence alone would not call into question the integrity of the affiliate's entire program.

The assessment of Gildan's social compliance program identified strong elements and areas for improvement.

Strengths:

- Top management commitment, including the VP of Corporate Citizenship providing quarterly social compliance reports to the Board of Directors;
- Comprehensive training and capacity building for all facilities on workplace standards;
- Effective remediation actions to address violations found in Gildan and FLA Assessments;
- Innovative application of responsible production and purchasing practices, especially in balanced planning and incentivizing owned facilities; and
- Engagement of civil society organizations in Central America, especially on issues of freedom of association and collective bargaining.

Recommendations for improvement:

- Continue to ensure workers have access to a functioning confidential reporting channels;
- Continue to remediate noncompliances and further develop programs to implement fair compensation program;
- Implement documented incentives policy for contract facilities; and
- Continue to engage with civil society organization in all production and sourcing countries, especially in Asia.

Throughout this report and the reaccreditation process, where needed, FLA staff provided programmatic recommendations to improve Gildan Activewear's social compliance program. The FLA will continue to ensure improvements to the social compliance program are integrated through Gildan's reaccreditation action plan.

APPENDIX A: THE GILDAN CODE OF CONDUCT

Code of Conduct

Wherever Gildan operates, we are guided by our Code of Conduct. All Gildan employees and business partners are required to adhere to the principles set forth below.

<h3>Employment Relationship</h3> <p>Gildan and its business partners must comply fully with all legal requirements relevant to the conduct of their businesses and will adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labour and social security laws and regulations.</p> 	<h3>Child Labour</h3> <p>Employees must be at least 16 years of age or over the age for completion of compulsory education or the country legal working age, whichever is higher.</p> <p>Employees under 18 are not employed in any form of hazardous conditions.</p> 	<h3>Forced Labour</h3> <p>Gildan and its business partners will not use forced labour, including prison labour, indentured labour, bonded labour or any other form of forced labour.</p> 
<h3>Compensation</h3> <p>Wages must meet the legal minimum wage or the prevailing industry wage, whichever is higher, comply with all legal requirements on wages, and provide all fringe benefits, required by law or contract.</p> <p>We support the notion that where compensation does not meet employees' basic needs and provide some discretionary income, employers must take appropriate measures to gradually reach a satisfactory compensation level.</p> <p>Employees have the right to compensation for a regular work week that is sufficient to meet their basic needs and provide some discretionary income.</p> 	<h3>Hours of Work/Overtime</h3> <p>Employees must not be required to work more than a total of 60 hours per week or the regular and overtime hours allowed by the law of the country, whichever is less. The regular work week shall not exceed 48 hours.</p> <p>All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate.</p> <p>Employees must be allowed at least 24 consecutive hours of rest in every seven-day period.</p> 	<h3>Health and Safety</h3> <p>Gildan and its business partners will take all necessary measure to provide a safe and healthy workplace setting to prevent accidents and illnesses arising out of, linked with, or occurring in the course of work or as a result of the operation of employers' facilities and other locations.</p> 
<h3>Environment</h3> <p>Gildan and its business partners will adopt responsible measures to mitigate the impacts that the workplace has on the environment. They will comply with applicable country environmental regulations and laws.</p> 	<h3>Freedom of Association and Collective Bargaining</h3> <p>Gildan and its business partners will recognize and respect the right of employees to Freedom of Association and Collective Bargaining.</p> 	<h3>Harassment or Abuse</h3> <p>Gildan and its business partners will treat every employee with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.</p> 
<h3>Grievance Procedures</h3> <p>Employees are allowed to lodge grievances that are addressed in a systematic manner so as to protect employees' privacy and protect them from reprisals.</p> 	<h3>Discrimination</h3> <p>Employees are not subject to discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, pregnancy status, race, religion, age, disability, physical appearance, sexual orientation, nationality, political opinion or social or ethnic origin.</p> 	<h3>Documentation and Inspection</h3> <p>Gildan and its business partners shall implement this code and applicable laws and allow for it to be subject to verification. The code must be posted, in the language(s) of the employees and communicated to employees. Documentation may be needed to demonstrate compliance with this Code of Conduct and these documents shall be made available for Gildan or its designated auditor(s) for inspection.</p> 

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APPENDIX B: GILDAN'S REMEDIATION PROGRESS CHART

GILDAN REMEDIATION PROGRESS

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED

EMPLOYER INTERFERENCE IN UNION OPERATIONS	2	
PROTECTION OF PREGNANT WORKERS & NEW MOTHERS	1	
EMPLOYER INTERFERENCE IN UNION ORGANIZING	1	
SUPERVISOR TRAINING	5	
MINIMUM WAGE	3	
OVERTIME PAYMENT CALCULATIONS	1	
INDUSTRIAL RELATIONS & GRIEVANCE MECHANISMS	11	
EXCESSIVE OVERTIME	7	
NO REST DAY	3	
ACCURATE WAGE RECORDS, CALCULATION & PAYMENTS	1	
FIRE SAFETY & EMERGENCY	14	
FRINGE BENEFITS	11	1
PERSONAL PROTECTIVE EQUIPMENT (PPE)	8	1
MONETARY FINES	NO FINDINGS	
RECRUITMENT PRACTICES	NO FINDINGS	
FREEDOM OF MOVEMENT	NO FINDINGS	
VERBAL ABUSE	NO FINDINGS	

APPENDIX C: PRINCIPLES OF FAIR LABOR RESPONSIBLE PRODUCTION & SOURCING

PRINCIPLES & BENCHMARKS		
	PRODUCTION	SOURCING
WORKPLACE STANDARDS	Establishes and commits to clear standards.	
	Establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.	
	Leadership formally commits to uphold workplace standards and to integrate them into company business practices.	
RESPONSIBILITY & HEAD OFFICE/REGIONAL TRAINING	Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office staff.	Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.
	Identifies the person(s) responsible for administering and implementing its workplace standards compliance program.	
	Trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.	
	Ensures that training is provided to all head office staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.	Ensures that training is provided to all head office and regional staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.
STAFF TRAINING	Production Staff Training: Company Affiliate trains all management staff and employees at owned production sites on workplace standards and tracks effectiveness of training.	Supplier Training: Company Affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.
	Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover and informs managers of the potential of FLA assessments and the Company's expectation to remediate.	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Measures the effectiveness of training for workers, managers and supervisors.	Conditions future business with suppliers upon continuous improvement of workplace conditions.
		Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.
		Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover.

FUNCTIONING GRIEVANCE MECHANISMS	Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.	
	Ensures there are functioning grievance mechanisms at owned production sites.	Ensures there are functioning grievance mechanisms at contract facilities.
	Where local mechanisms are not functioning, provides alternative channels for workers to contact the company head office directly and confidentially.	Where local mechanisms are not functioning, provides alternative channels for workers to contact the brand directly and confidentially.
	Ensures training and communication about the grievance mechanisms is provided to all workers.	
	Ensures grievance mechanisms lack penalty and include at least one confidential reporting channel.	
MONITORING	Conducts workplace standards compliance monitoring.	
	Conducts annual assessments of compliance with workplace standards at every owned production site.	Conducts pre-sourcing assessment of contract facilities to review compliance with workplace standards.
	Ensures that its monitoring program includes, but is not limited to: a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Management interviews, d) Documentation review, e) Visual inspection, and Occupational safety and health review.	Monitors contract facilities regularly to assess compliance with workplace standards.
	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.	Ensures that its monitoring program includes, but is not limited to: a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Management interviews, d) Documentation review, e) Visual inspection, and Occupational safety and health review.
	Conducts pre-production assessment of new owned production sites to review compliance with workplace standards.	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.
COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION	Collects, manages and analyzes workplace standards compliance information.	
	Maintains a complete and accurate list of owned production sites and collects and manages compliance and workplace information.	Maintains a complete and accurate list of contract facilities and collects and manages compliance and workplace information.
	Analyzes trends in noncompliance findings.	
TIMELY & PREVENTATIVE REMEDIATION	Remediates in a timely and preventative manner.	Works with suppliers to remediate in a timely and preventative manner.
	Provides regular follow-up and oversight to implement corrective action following assessments.	
	Conducts root cause analysis and take action to prevent future noncompliance in owned production sites.	Works with the supplier to determine root causes and take action to prevent

		future noncompliance in contract facilities.
	Records and tracks the progress and effectiveness of remediation for internal assessments.	
RESPONSIBLE PRODUCTION/PURCHASING PRACTICES	Aligns sales and planning practices with commitment to workplace standards.	Aligns planning and purchasing practices with commitment to workplace standards.
	<p>Formal, written policies and procedures for production planning that 1) articulate the many complexities involved in their global supply chains, including different customer (buyer) business models and 2) require relevant internal representatives to work with customers (buyers) to reduce negative impacts on working conditions.</p> <p>These policies and procedures shall address the alignment of sales with capacity, based on working hours as defined by the FLA Workplace Code of Conduct.</p>	<p>Formal written policies and procedures for planning and purchasing that 1) articulate the many complexities involved in their global supply chains, including different supplier business models, and 2) require relevant internal representatives to work with suppliers to reduce negative impacts on working conditions. These policies and procedures shall address (a) alignment of financial terms with FLA Workplace Standards, (b) adequacy of lead time provided (considering, for example, availability of inputs, testing, design changes, and production capacity) to produce without excessive overtime, unauthorized subcontracting, or other negative impacts, and (c) balanced annual planning efforts to eliminate negative outcomes (i.e. lower efficiency, poor labor retention, and longer throughput) that arise from traditional seasonal order demand.</p>
	All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their sales and planning practices on working conditions in order to mitigate negative impacts on code compliance.	All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance.
	Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and sales practices that help avoid negative impacts on workers and working conditions.	Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and purchasing practices that help avoid negative impacts on workers and working conditions.
	Staff responsible for sales and planning engage with their labor compliance colleagues, any contracted agent/intermediary and customers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards.	Staff responsible for planning and purchasing decisions engage with their labor compliance colleagues, any contracted agent/intermediary and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.
	Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner.	Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner and, if applicable, having internal systems aligned with FLA Principles.

CONSULTATION WITH CIVIL SOCIETY	Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.	
	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of production.	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of sourcing.
	Develops and maintains links to relevant CSOs to gain understanding of local labor issues.	
	Strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.	
	Consults with legally constituted unions or worker representative structures at owned production sites.	Consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.
VERIFICATION REQUIREMENTS	Meets FLA verification and program requirements.	
	Maintains standard operating procedures related to FLA affiliation.	
	Participates in FLA due diligence activities, including assessments at owned production sites and company headquarters, as applicable.	Participates in FLA due diligence activities, including assessments at contract facilities and company headquarters, as applicable.
	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Production.	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.
	Maintains a complete and accurate profile and list of owned production sites with the FLA.	Maintains a complete and accurate profile and list of contract facilities with the FLA.
	Responds to FLA requests for documentation, contracts, information and clarification in a timely manner.	
	Pays annual dues and applicable fees on schedule.	