



COMPANIES: Gildan Activewear Inc

COUNTRY: Mexico

ASSESSMENT DATE: 01/15/19

ASSESSOR: Miriam Rodriguez

PRODUCTS: Apparel

NUMBER OF WORKERS:

FLA Comments

At the end of October 2019, Gildan decided to move forward with plans for the closure of textile and sewing operations in Mexico and the relocation of the equipment at these facilities to operations in Central America and the Caribbean Basin. In October 2019, the facility Management team informed union members that this facility would be closing operations by the end of March 2020. In line with this communication, facility management team informed all facility workers, stakeholders and interested parties. As of April 2020, about 97% of the workers had left and Gildan had paid severance to all these workers according to legal requirements.

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

Findings and Action Plans

FINDING NO.1

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Grievance System

Finding Explanation

1. The factory's third party grievance mechanism is ineffective. The auditor tested the 800 number and the wait time was approximately 10 minutes. An English-speaking operator answered the phone and got a translator to tell the auditor (posing as a worker) to call back when Spanish-speaking operators were on duty. The lack of an effective mechanism to report a grievance, whether anonymous or not, is not available to workers. [ER.25]

2. Although the factory has suggestion boxes throughout the factory, the facility does not have any records of documented grievances. [ER.25]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.25)

Root Causes

Lack of awareness or monitoring of service providers.

FLA's Recommendations for Sustainable Improvements

1. Identify an effective mechanism to address grievances. Ensure that service providers are providing quality services.

2. Regularly inspect the suggestion boxes throughout the factory and ensure that the factory has a system to record any documented grievances.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Identify an effective mechanism to address grievances. Ensure that service providers are providing quality services. 2. Regularly inspect the suggestion boxes throughout the factory and ensure that the factory has a system to record any documented grievances.

Company Action Plan Update

1. COMPLETED (January 2020): After making the testing of the new potential service provider in our different facilities worldwide, we encounter that their response to the calls was efficient; however they experienced problems with the local numbers in each country.

Since the change will be done from our corporate office, we decided to continue with our actual service provider "EthicsPoint" and monitor their service to ensure they have improved the time responsiveness. Our corporate office internal audit team held meetings with them in order to find out a best way to improve their service. By January 2020, the service provider opened operations in a Latin America country as well as more offices around the US.

1. In Progress (May 2019 Update): Since the FLA SCI assessment, our Ethics and Fraud Committee has been monitoring the integrity line services of the actual company provider in all countries where we have operations; unfortunately the service did not improved and we found the option of a new service provider called Lighthouse. Attached their proposal as an evidence. We have already started the initial phase of the transition with this new company that will be providing the integrity line services to Gildan.

2. COMPLETED and Ongoing (02 April 2019): The facility now keeps a continuous follow-up of the suggestion boxes and has all records of the monthly documented grievances that are posted in the different bulletin boards for employees' knowledge.

FINDING NO.2

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

As a disciplinary measure, the factory deducts \$75.00 Mexican Pesos (\$3.90 USD) from workers' wages if they lose their company ID card. [H/A.2]

Local Law or Code Requirement

FLA Workplace Code (Harassment or Abuse Benchmarks H/A.2)

Root Causes

The facility is not aware that they cannot use monetary fines as a way to discipline and how to use other methods to educate workers on the need to use electronic ID cards. Also, many workers are not used to electronic ID cards and workers often misplace or forget their ID cards.

FLA's Recommendations for Sustainable Improvements

Cease the practice of monetary fines as a means to discipline workforce for violating company rules, regulations, or policies.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Cease the practice of monetary fines as a means to discipline workforce for violating company rules, regulations, or policies.

Company Action Plan Update

COMPLETED (18 February 2019): The facility modified its Employee ID Policy to remove all monetary fines for lost, stolen, or damaged Employee ID cards. A progressive disciplinary process will be applied in case of frequent replacement of the employee ID. Training to all employees was given on the Employee ID Policy modifications during the month of February 2019.

FINDING NO.3

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Hours of Work

Finding Explanation

1. The facility utilizes two work schedules which do not comply with Mexican Labor Code. The first work schedule is the 4x4 (four days of 12 hour daily shifts followed by four days off) and the second work schedule is 4x3 (four days of 12 hours per day followed by three days off). Neither of these work schedules comply with the current Mexican labor law. The Mexican labor law establishes a 48-hour work week (8 hours per day shift, or 7 hours per night shift, or 6 hours per mixed shift). Per Mexican labor code, the maximum number of daily overtime hours is three hours and the maximum number of weekly overtime hours is nine hours. These work schedules affect workers in the sewing and weaving departments. [HOW.1.1, HOW.8.2]

2. Neither the 4x4 nor the 4x3 work schedules are documented in workers' current contracts. [ER.10]

Local Law or Code Requirement

Mexican Labor Law, Articles 59, 60, 61, and 66; FLA Workplace Code (Employment Relationship Benchmark ER.10; Hours of Work Benchmarks HOW.1.1 and HOW.8.2)

Root Causes

This facility has implemented a work schedule to meet production requirements that does not meet legal requirements.

Recommendations for Immediate Action

1. Ensure that all working hours and working schedules are in line with applicable legal requirements.
2. Ensure that a workers' work schedule is documented in workers' contracts.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Ensure that all working hours and working schedules are in line with applicable legal requirements. 2. Ensure that a workers' work schedule is documented in workers' contracts.

Company Action Plan Update

1. and 2. COMPLETED (June 2019): The 4X3 schedule was cancelled on January 31st 2019. For the 4x4 schedule the factory signed a labor agreement with the union for the schedule modification on February 28th 2019 which was sent to local government office on March 14th 2019. The final approval of the 4X4 work schedule modification in the Collective Bargaining Agreement was received from the Government office of Sonora state at the end of June 2019.

1. and 2. In Progress (May 2019 Update): The 4X3 schedule was cancelled on January 31st 2019. For the 4x4 schedule the factory signed a labor agreement with the union for the schedule modification on February 28th 2019 which was sent to local government office on March 14th 2019.

FINDING NO.4

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Compensation

Finding Explanation

1. The information of the weekly pay stub provided to the employee and the information of the tax receipts regarding payroll that the company reports to the government agency, SAT (Tax Administration Service) is different. The worker's pay stub does not indicate the value of the food voucher given to the worker by the employer, therefore this amount is not reflected in the total salary and benefits paid to the worker. [C.5]

2. The factory does not provide a copy to the worker of the tax receipt of worker's salary, as required by federal law. [C.13]
3. The worker's pay stub does not indicate the integrated salary (average). This information is necessary so that the worker can verify the correct payment of benefits such as bonus or vacation. [C.13]
4. The worker's pay stub does not reflect any deductions for union dues. There is an active union at the facility. [C.11]

Local Law or Code Requirement

Mexican Labor Code, Article 99, Numeral III of the Income Tax Law; FLA Workplace Code (Compensation Benchmarks C.5, C.11, C.13, and C.14)

Root Causes

The payroll software limits the number of modifications that can be made to a paystub. Also there is a lack of awareness.

FLA's Recommendations for Sustainable Improvements

1. Ensure that the weekly pay stub provided to the employee contains the same information that is provided to the government agency. Ensure this pay stub includes the value of the food voucher.
2. Provide workers with a copy of the tax receipt of the workers' salary.
3. Indicate the integrated salary in workers' pay stubs.
4. Ensure that the workers' pay stub includes deductions for union dues.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Ensure that the weekly pay stub provided to the employee contains the same information that is provided to the government agency. Ensure this pay stub includes the value of the food voucher. 2. Provide workers with a copy of the tax receipt of the workers' salary. 3. Indicate the integrated salary in workers' pay stubs. 4. Ensure that the workers' pay stub includes deductions for union dues.

Company Action Plan Update

2. COMPLETED (31 May 2019): Facility launched internal awareness campaign for workers to use the official webpage: <https://masorden.com/> where they have access to view and verify all their tax deductions as reported to the government agency SAT.

4. COMPLETED (30 July 2019): Employees' paystubs now reflect the union deductions made to their payments.

1. COMPLETED (07 February 2019): Weekly pay stub provided to the employee now contains the value of food, showing the same information that is provided to the government agency SAT.

2. In Progress (May 2019 Update): Facility is still in the process to define the best way to give a copy of the tax receipt to the workers.

3. COMPLETED (25 April 2019): Worker's pay stubs were modified to show the average salary.

4. In Progress (May 2019 Update): Facility is expecting to correct this finding by the end of May 2019.

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Recruitment, Hiring & Personnel Development

Finding Explanation

During the hiring process, the HR department asks applicants if they have children and who takes care of the children. These questions are not related to the worker's qualifications or abilities. However, there is no credible evidence that the company denied employment to an applicant if they do have children. [ER.3]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.3.)

Root Causes

The factory stated that they ask these questions to identify number of children to celebrate the Day of the Child.

FLA's Recommendations for Sustainable Improvements

Only ask questions related to the workers' qualifications or requirements for the job during the hiring process. Collect demographic information after the worker is hired.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Only ask questions related to the workers' qualifications or requirements for the job during the hiring process. Collect demographic information after the worker is hired.

Company Action Plan Update

COMPLETED (15 February 2019): As per auditors' request, questions that asks applicants if they have children and who takes care of them were taken out of the interview guideline.

FINDING NO.6

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Workplace Conduct & Discipline

Finding Explanation

1. There is no evidence that disciplinary actions are applied progressively, such as verbal, written, suspension, or final. [ER.27]
2. The disciplinary actions do not cite the legal provision or provision of the internal work regulation that the worker violated. [ER.27]
3. The factory management does not uniformly apply the disciplinary actions to all workers. For example, in the case of unexcused absences, some workers received a written reprimand while others were suspended without pay. [ER.27]
4. The description of the infraction is documented in vague terms. For example, one disciplinary notice was identified as "tiempos muertos" (wasted times) which does not give a full description of the situation and whether it was created by the worker or was a consequence of production downtime. [ER.27]
5. The documents consistently lack the signature of at least one of the parties, whether it is the witness, HR, or the supervisor. The facility does not clarify if the worker has the right to select a witness of their choosing. The workers had signed all the disciplinary notices reviewed. [ER.27]
6. The disciplinary document does not advise the worker of the appeal process. [ER.27]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmark ER.27)

Root Causes

Lack of awareness of the need to properly training supervisors on the documentation of disciplinary actions and a lack of supervision or oversight by HR department.

FLA's Recommendations for Sustainable Improvements

1. Ensure that disciplinary actions are applied progressively.
2. Cite the legal provision or the provision of the internal work regulation in disciplinary actions.
3. Uniformly apply disciplinary actions to all workers.
4. Ensure that the description of every infraction clearly describes the situation.
5. Ensure that all relevant parties sign the disciplinary action and related documents.
6. Ensure that workers are aware of the appeal process.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Ensure that disciplinary actions are applied progressively. 2. Cite the legal provision or the provision of the internal work regulation in disciplinary actions. 3. Uniformly apply disciplinary actions to all workers. 4. Ensure that the description of every infraction clearly describes the situation. 5. Ensure that all relevant parties sign the disciplinary action and related documents. 6. Ensure that workers are aware of the appeal process.

Company Action Plan Update

1 to 6. COMPLETED (June 2019): In the month of February 2019, all personnel from human resources including managers and supervisors were trained on our "Corrective Actions" policy, a "Progressive Disciplinary Process Format" was implemented as well. With this actions in place we can provide a more fair and efficient disciplinary process.

1 to 6. In Progress (May 2019 Update): The facility is still working on a complete and robust disciplinary process to support a fairer and more efficient disciplinary process.

FINDING NO.7

SUSTAINABLE IMPROVEMENT REQUIRED

FINDING TYPE: Industrial Relations

Finding Explanation

Workers had no awareness or knowledge of the union. A review of payroll documents did not identify any deduction from a worker's pay for union dues. The facility's union representative could not provide documentation to support her election as a representative. In addition, the night shift workers do not have a union representative present during the night work schedule. [ER.26, FOA.2]

Local Law or Code Requirement

FLA Workplace Code (Employment Relationship Benchmarks ER.26, and Freedom of Association Benchmarks FOA.2 and FOA.10)

Root Causes

Neither the union senior leadership nor the facility management has communicated to or trained the workers on the existence of the union and the CBA. Additionally, no training has been provided on the acceptable and proper role or activities of the union.

FLA's Recommendations for Sustainable Improvements

Recognize the rights of workers to freely associate with the organization of their choosing and to pay the union dues as appropriate. Additionally, ensure that workers are aware of their rights to freedom of association.

COMPANY ACTION PLANS

Action Plan no 1.

Description

Recognize the rights of workers to freely associate with the organization of their choosing and to pay the union dues as appropriate. Additionally, ensure that workers are aware of their rights to freedom of association.

Company Action Plan Update

Completed (June 2019): The Secretary of the Union has been assigned an office within the premises of the company. Employees authorize a weekly union fee deduction of MX\$6.00 through the application format. The photographs of the representatives of the union are continuously published in the facility's bulletin boards as well as in the Gildan TV system.

In Progress (May 2019 Update): The Secretary of the Union has been assigned an office within the premises of the facility. Employees authorize a weekly union fee deduction of MX\$6.00 through the application format. Union representatives information is posted in the facility's bulletin boards as well as in the Gildan TV system.

FINDING NO.8

IMMEDIATE ACTION REQUIRED

FINDING TYPE: Health & Safety

Finding Explanation

1. The facility has not consistently re-painted or re-marked the emergency aisles and walkways throughout all work areas. At the time of the audit, management advised that the facility was in the process of re-marking work areas. [HSE.13]
2. The weaving, sewing, and shipping departments are not involved in the facility's current ergonomic program. [HSE.17]
3. The facility lacks proper maintenance of equipment used in the warehouse. The auditors observed workers operating equipment such as tow motors with damaged or worn tires and driver seats and electric pallet jacks with tape wrapped on electric cords. [HSE.14]

Local Law or Code Requirement

FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.13, HSE.14, and HSE.17)

Root Causes

1. Scheduling of maintenance or service repairs.
2. The ergonomic program is still in the roll out phase.
3. Lack of training workers on how to encourage workers to report issues with equipment, and lack of review of service records or provide timely and correct repair of equipment.

Recommendations for Immediate Action

1. Continue to implement a calendar for repairs that ensures that emergency aisles and walkways are clearly marked throughout all work areas.
2. Roll out the ergonomic program to all work groups.
3. Conduct and document periodic maintenance and proper repair of equipment.

COMPANY ACTION PLANS

Action Plan no 1.

Description

1. Continue to implement a calendar for repairs that ensures that emergency aisles and walkways are clearly marked throughout all work areas. 2. Roll out the ergonomic program to all work groups. 3. Conduct and document periodic maintenance and proper repair of equipment.

Company Action Plan Update

2.COMPLETED (June 2019): The ergonomic program for the textile area was implemented and it is performed daily in all areas.

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1. COMPLETED (22 April 2019): Repainting of delimitation lines was made to aisles for pedestrians and for forklifts. 2. In Progress (May 2019 Update): * Ergonomic Committee implemented and in operation since August 2018. * Ergonomic risk assessments for all job positions was carried out on September 2018. * Implementation of ergonomic exercises for all areas will start on May 2019. 3. COMPLETED (30 April 2019): Damaged forklifts (tow motors) and electric pallets were repaired at the end of January 2019. A daily checklist for the warehouse equipment was implemented on April 2019 to strengthen the inspection criteria used by the operational and EHS teams.