



2011

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Gildan Activewear, Inc.  
**COUNTRY:** Nicaragua  
**FACTORY CODE:** 290056565J  
**MONITOR:** Level Works  
**AUDIT DATE:** November 24, 2011  
**PRODUCTS:** Shirts  
**PROCESSES:** Sewing, Packing, Inspection,  
Shipping  
**NUMBER OF WORKERS:** 2303



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**Wages, Benefits and Overtime Compensation: Payment for All Hours Worked**

WBOT.7 Workers shall be paid for all hours worked in a workweek. Calculation of hours worked must include all time that the employer allows or requires the worker to work. (S)

**Noncompliance**

**Explanation:** During the factory tour it was noted that some workers voluntarily worked 10 to 20 minutes during their unpaid lunch break in order to earn additional money. This is due to the factory's modular production piece rate system. While the factory pays workers the minimum wage as a base salary, some workers' take-home pay may be higher than the minimum wage due to additional modular production piece-rate earnings.

4 samples taken during the factory tour:

(1) 3 out of 15 workers from production module 3 were found working at 12:10pm when their unpaid lunch break was from 11:50am to 12:30pm

(2) 3 out of 15 workers from production module 4 were found working at 12:20pm when their unpaid lunch break was from 11:50am to 12:30pm

(3) 7 out of 15 workers from production module 58 were found working at 12:00pm when their unpaid lunch break was from 11:30am to 12:10pm

(4) 2 out of 15 workers from production module 60 were found working at 12:15pm when their unpaid lunch break was from 11:50am to 12:30pm.

Source: factory tour with factory HR manager

Legal References: Work shift detailed in all work contracts of production workers and Resolution from the Labor Ministry on ordinary working schedule for the factory extended on August 28, 2006 and notified to the factory on September 1, 2006



**Plan Of Action:** By the end of May, Gildan will deploy a campaign to promote the health benefits associated with rest periods and a healthy nutrition.

The following steps will be taken to stop employees from working during lunch time and breaks:

- (1) Employee meetings with supervisors will be organized to remind workers of their allotted daily free time and the health benefits of taking rest periods.
- (2) Workers will be asked to confirm, in writing, that they have received the above communication.
- (3) Information about rest periods will be transmitted every day for during two months through loud speakers in the factory.
- (4) Doctors will prepare bulletin boards with information about the health benefits of taking break periods during the workday.

**Deadline Date:** 06/30/2012

**Action Taken:** We will post information bulletin boards and speakers will explain the importance of taking the breaks on a daily basis. The campaign will be reinforced with the help of supervisors who'll hold daily production meetings with all employees.

**Plan Complete:** Yes

**Plan Complete Date:** 06/29/2012

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## Non-Discrimination: General Compliance Non-Discrimination

D.1 Employers shall comply with all local laws, regulations and procedures concerning non-discrimination. (S)

### Noncompliance

**Explanation:** The factory does not have one person with disabilities for every 50 able-bodied people employed. On the day of the audit, it was noted that out of the total 2,611 workers employed, only 10 were disabled.

The factory is working with a local foundation that supports the disabled. Since October 2011, the factory has hired 2 workers with disabilities. The factory plans to work with other foundations to hire people with disabilities.

Sources: Management interview and documentation reviewed

Legal Reference: Law of Prevention, Rehabilitation, and Equal Opportunity for people with disabilities number 202, Art 4 and Art 13 (b)

**Plan Of Action:** Currently managing a specific project with a Nicaraguan organization, that has a workplace integration program for young adults, to hire more personnel with disabilities.

**Deadline Date:** 08/31/2012

**Action Taken:** The company has hired more personnel with disabilities and has a hiring plan in place. The company continues working with a local organization in a program named "opportunities." In addition the company will explore other alternatives with the Ministry of Labor regarding this topic.

**Plan Complete:** No

**Plan Complete Date:**

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## Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

### Noncompliance

**Explanation:** (1) The factory does not have its Health and Safety Organizational Technical Regulations (AKA: RTO) approved by the Labor Ministry. On the day of the audit the factory had submitted a Health and Safety Organizational Technical Regulation (AKA: RTO) to the Labor Ministry for a second revision. The factory is waiting for the Labor Ministry to either approve their plan or provide them with more corrections.

(2) The metallic stairs that lead to the trim warehouse are unsafe due to the angle in which they were installed and do not have handrails.

(3) The factory has not conducted the mandatory annual medical exams for all factory workers. On the day of the audit, the factory had only conducted exams on approximately 49% of workers. The medical exams are subcontracted to a laboratory in a nearby city.

Sources: Factory tour, management interview and documentation reviewed

Legal References: Nicaraguan Health and Safety General Law, Art. 26 (c), Nicaraguan Health and Safety Norm for the Apparel Sector, Chapter XII, Art 132, Nicaraguan Health and Safety Norm for the Apparel Sector, Chapter X, Art. 51

**Plan Of Action:** (1)The Health and Safety Technical Regulation (RTO) is still being processed. A second revision by the Labor Ministry provided more corrections. The revised RTO sent again to the Labor Ministry on February 8, 2012.

(2) The metallic stairs at the trim warehouse were re-designed and a handrail has been installed.

(3) To the date, the factory continues to perform the annual medical exams. Due to the hiring of new employees, the medical exams for all workers will not be completed until December 2012.

**Deadline Date:** 12/31/2012

**Action  
Taken:**

**Plan**        **No**  
**Complete:**

**Plan**  
**Complete**  
**Date:**

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### **Health and Safety: Evacuation Requirements and Procedure**

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

#### **Noncompliance**

**Explanation:** (1) The factory does not have an evacuation diagram posted in buildings 1 and 2. An evacuation diagram should contain the location of fire extinguishers, emergency exits, evacuation routes, "You are here" mark, etc.

(2) The factory does not conduct fire emergency drills every six months. The dates of the two last drills conducted were June 2010 and May 2011.

Sources: Management interview, factory tour and documentation review

Legal References: FLA Benchmark H&S. 9, Nicaraguan Health and Safety Norm for the Apparel Sector, Chapter IX, Art. 32

**Plan Of  
Action:** (1) Post Evacuation Diagram in building number 2, complete with all required information.

(2) Fire emergency drills have been scheduled for February 2012 and July 2012.



**Deadline Date:** 02/29/2012

**Action Taken:** (1) Evacuation Diagram has been posted in building number 2, with all required information.  
(2) Fire emergency drills were held on February 15 and February 19 of 2012 with the support of local Fire Department. The next fire emergency drills are scheduled for July 2012.

**Plan Complete:** Yes

**Plan Complete Date:** 02/21/2012

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### **Health and Safety: Medical Facilities**

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

#### **Noncompliance**

**Explanation:** The factory does not have a policy and procedure for medical appointments. The policy and procedure must state that workers are free to choose between appointments with the factory's general physician, the Social Security Administration's general physician or a visit to Social Security clinic (located outside the factory) whenever they feel sick.

**Plan Of Action:** The Medical Care Procedure has been designed. At the moment it is in the process of revision and approval by the corporative health regional office. Once the procedure and policy are approved, will be posted in the bulletin boards around the facility.



**Deadline** 05/15/2012  
**Date:**

**Action**  
**Taken:**

**Plan** No  
**Complete:**

**Plan**  
**Complete**  
**Date:**

### **Hours of Work: General Compliance Hours of Work**

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

#### **Noncompliance**

**Explanation:** (1) 15 out of 16 workers from production module 42 in Building 2 worked more than 9 overtime hours from February 7 to February 12, 2011, exceeding the legal overtime limits. The amount of overtime ranged between 10.5 and 21 hours, with an average of 18.60 hours.

(2) 14 out of the 16 workers from production module 42 in Building 2 worked more than 60 hours from February 7 to February 12, 2011 (ordinary schedule, plus overtime), exceeding the FLA weekly overtime limits.

Note: On February 2, 2011 the factory obtained a permit from the Labor Ministry to increase work limits to a total of 66 hours per week (11 hours per day, 6 days a week) from February 2 to March 5th, 2011, due to production needs caused by issues in another Gildan production plant.

Sources: management interview and documentation reviewed.

Legal Reference: Labor Code Art. 58



**Plan Of Action:** Due to an exceptional situation, there was additional overtime recorded in the factory. After March 5, 2011 the excessive overtime was stopped.

**Deadline Date:** 03/07/2011

**Action Taken:** After March 5, 2011 the excessive overtime was stopped.

**Plan Complete:** No

**Plan Complete Date:** 03/07/2011

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