May 4, 2011

Statement on Remediation at Pinehurst Manufacturing in Honduras

On October 26-27, 2010, Fair Labor Association-accredited monitor Grupo de Monitoreo Independiente de El Salvador (GMIES) conducted an unannounced audit at Pinehurst Manufacturing in Honduras. The Independent External Monitoring (IEM) visit was part of the random selection of audits that the Fair Labor Association (FLA) conducts annually as part of its due diligence functions to verify compliance with the FLA Workplace Code of Conduct in the supply chain of affiliated companies. Three FLA Participating Companies – adidas-Group, Nike Inc., and Liz Claiborne Inc. – were sourcing from this factory at the time of the audit.

The GMIES audit found a range of noncompliances at the factory regarding Freedom of Association (FOA) benchmarks. Allegations of violations of FOA were also brought to the attention of the GMIES auditors by workers after the audit. In particular, workers alleged management obstruction to the formation of a union associated with the Central General de Trabajadores (CGT), while at the same time management facilitated the formation of a union affiliated with the federation FESITRANH. Following standard IEM procedures, FLA staff notified the affiliated companies about the allegations and sought their immediate attention to the matter. To drill deeper into the FOA issues at Pinehurst, adidas-Group and Nike commissioned a separate independent investigation by COVERCO, an FLA-accredited monitor based in Guatemala.

The COVERCO investigation report confirmed the FOA noncompliances identified by GMIES and provided additional details and recommendations for remedial action. Based on the findings of both reports, FLA Participating Companies sourcing from the factory initiated a series of meetings with Pinehurst management and union representatives which led to the development of a remediation plan, included in the IEM report. Pinehurst management promptly took steps to implement the remediation plan; has undertaken negotiations for a collective bargaining agreement with representatives of the union SITRAPINEHURST (affiliated with CGT); and is supporting positive resolutions through close collaboration with FLA Participating Companies.

FLA and affiliates sourcing from Pinehurst will continue to closely monitor the execution and effectiveness of the remediation plan and follow-up activities.