EXECUTIVE SUMMARY
VERIFICATION OF THE REMEDIATION PLAN ASSOCIATED WITH THE SPECIAL REVIEW PERIOD
OF RUSSELL/FRUIT OF THE LOOM CORPORATION
October 19, 2009

BACKGROUND

The FLA commissioned COVERCO to conduct the verification of the remediation plan associated to
Russell/Fruit of the Loom's Period of Special Review. The verification began on Monday, October 5, at the
Russell/Fruit of the Loom offices in ZIP Búfalo, and ended on October 7, 2009.

It is important to note that the company in Honduras cooperated fully with COVERCO and provided all of
the information requested without any restriction. The company also coordinated meetings and visits to its other
factories and to the Worker Reemployment Office (WRO).

The Union of Workers of Jerzees Honduras (SITRAJERZEES) and the General Confederation of Workers
(CGT) agreed to meet with COVERCO but, due to a confidentiality agreement with the company around
negotiations taking place in the United States related to the remediation plan, they expressly requested that
the verification take place after the following negotiation session. This would permit them to share the progress
and outcomes of the actions to be verified. COVERCO respected the confidentiality agreement and only
asked questions regarding aspects of the remediation plan that were not part of the negotiating agenda.

In spite of the tense environment and lack of security due to political and social instability in Honduras, the
verification work did not face any difficulties with the exception of the afternoon of October 7 when the closure
of several highways made it impossible to conduct key interviews. During the three working days of the
verification, a total of 50 individuals were interviewed.

METHODOLOGY

Using as the principal tools the Remediation Plan Associated with Russell Corporation’s Period of Special
Review of June 29 and the Resolution of the FLA Board of Directors Regarding Special Review, COVERCO
verified 23 items and developed a matrix with seven steps, each with their respective elements and actions.
COVERCO developed the following definitions with color coding to facilitate visualization: FULLFILLED in
green color, PARTIALLY FULLFILLED, in yellow, NOT FULLFILLED in red, ON THE NEGOTIATING
AGENDA/IN PROGRESS, without any color;¹ in addition comments and suggestions were included.

Using the matrix to verify compliance with the remediation plan, the company in Honduras was asked to
provide all the necessary documents to demonstrate compliance with the remediation plan. Meetings were
held with 4 company officers and managers of 6 factories; 2 worker representatives involved in 4 collective
pacts; Worker Reemployment Office coordinator and nurse; 7 Directors of the Board for Jerzees de Honduras
union; a CGT representative; 3 AHM representatives; 2 experts in Honduran labor law; 3 EMIH
representatives; and 9 former workers of Jerzees Honduras. There were also telephone conference calls with

¹ Note: The color coding is not included in the English translation of the document, but is available in the
original COVERCO report in Spanish.
CONCLUSIONS

Russell/Fruit of the Loom Corporation, as well as SITRAJERZEESH/CGT, expressed their readiness to talk and search for an agreement to fulfill the remediation plan. SITRAJERZEESH/CGT confirmed that they are in agreement with the negotiations that are taking place in the United States and recognize and validate their negotiator. However, they mentioned their concern over the prolonged time the negotiations are taking, and for this reason, argued their desire to establish a negotiating table in Honduras to address topics not related to the negotiating agenda in the United States. Upon consultation, the company in Honduras confirmed their willingness to dialogue. COVERCO perceived that both parties are open to have complementary meetings in Honduras, and therefore this alternative approach should be evaluated.

COVERCO considers the negotiation methodology being used in the United States inadequate because the union organizations, SITRAJERZEESH and CGT, the key actors with direct involvement, are at the margin of the real negotiating process. They are spectators rather than participants at the negotiating table. In addition, because the whole process is in English, this limits their comprehension and their ability to contribute substantially to arguments.

As noted in the methodology section above, there were 23 actions to be verified. The results are as follows:

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<tr>
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<tr>
<td>PARTIALLY FULFILLED</td>
<td>03</td>
</tr>
<tr>
<td>NOT FULFILLED</td>
<td>02</td>
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<tr>
<td>ON THE NEGOTIATING AGENDA/IN PROCESS</td>
<td>07</td>
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<tr>
<td>TOTAL NUMBER OF ACTIONS TO VERIFY</td>
<td>23</td>
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In addition, COVERCO has added within the verification 7 complementary observations and one suggestion.
Remediation Plan Associated with Russell Corporation’s Period of Special Review

Step 1: Engage in good faith negotiations with the CGT union regarding further compensation and benefits for all JDH workers, an effective first-hire policy, and reasonable access of union organizers to employees.

Element
Enter into good faith negotiation with the CGT union regarding further compensation and benefits for all JDH workers.

Action
By July 1, communicate directly with the CGT union a willingness to enter into direct negotiations on a range of issues, among them further compensation of JDH workers.

Verification
Fulfilled with observation. There is documentary evidence that the Russell/Fruit of the Loom Corporation in Honduras sent correspondence to the CGT on July 1 to “follow up on the negotiation process with the CGT and members of the leadership of CITRAJERZEES”; communication with the union continued on July 3 and 6.

In a response to the company dated July 6, the CGT indicated its availability to enter into dialogue but suggests that in order to define a negotiating agenda in Honduras, there should be “better coordination with persons in the USA in order to define whether the agenda that you have suggested should be the one to be defined and discussed with you in Honduras.”

Based on information provided by the company and CGT/SITRAJERZEES, negotiations began in the United States on July 29 and continued on August 7 and September 10-11. There is no confirmation on meeting date in the month of October.

There is a confidentiality agreement regarding the negotiations. For this reason, COVERCO was not able to gather information on the contents of the agenda as well as on the progress and agreements emerging from the negotiations in the United States. However, with respect to some other elements in the remediation plan below, COVERCO was able to confirm that they were topics in the negotiation process.

The company in the United States as well as SITRAJERZEES and the CGT confirm that they expect a positive outcome of the negotiations.

The company in the United States confirmed that the negotiating agenda includes the recommended actions contained in the corrective action plan and its expectations for a positive outcome.
CGT/SITRAJERZEES commented to the assessors that it would be a positive step to initiate negotiations in Honduras regarding topics that are not included in the negotiating agenda in the United States.

Upon consulting the company in Honduras on the point above, they indicated that they are open to establish communication and dialogue.

**Observation:** CGT and SITRAJERZEES ratified that they are in agreement with the negotiations that are taking place in the United States and recognize and validate their negotiator. However, COVERCO considers that the methodology being used is inadequate because the union representatives are at the margin of the real negotiations. They are spectators rather than participants at the negotiating table; SITRAJERZEES and CGT are the key actors with direct involvement. In addition, because the whole process is being conducted in English, this limits their comprehension and their ability to contribute substantially to arguments.

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**Element**

**An effective first-hire policy.**

**Action**

An effective first-hire policy for workers dismissed from JDH.

**Verification**

**Partially fulfilled with observations.** The verification confirmed that the company in Honduras applies its first-hire policy. As a result of the closure of Jerzees de Honduras, the company created the Workers Reemployment Office (WRO) and established a first-hire policy for the 1402 workers formerly employed by Jerzees de Honduras. The Choloma WRO opened on March 31, 2009; through October 2, 2009, it had assisted 840 persons (60%); only 15 (1%) have been reemployed in the different factories of the company.

In fact, there is a first-hire policy for the entire company. There is a first-hire process in place for the former Jerzees de Honduras workers.

Two WRO were created to service 3 plant closures and reductions in force.

**Observations:** Coverco considers that there are incongruences in the reemployment process regarding “First-Hire Opportunities for Former Jerzees de Honduras Workers,” which does not allow for greater incorporation of former JDH workers into the growth in employment that the corporation in Honduras has been experiencing since the month of April.

The first-hire opportunity, according to the procedures in place, for former Jerzees de Honduras workers in effect becomes a second opportunity. There is a grave incongruence between section (2), which gives first opportunity, consistent with corporate policy, to former workers of factories

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2 The First-Hire Opportunity Policy for former employees of Jerzees de Honduras, section 2, states: “when there are available positions, the Reemployment Office will contact in the first instance former workers from the factory with the open positions.”
where there exist open positions (employment opportunities in factories where they used to work) and sections (4) and (9)\(^3\) which give priority to former Jerzees the Honduras employees. According to their operating policies and procedures, the two WROs had served from March 23 and March 31 through October 2, 2009, a total of 2620 persons\(^4\) and reinserted 880 persons in its 6 factories, of which only 15 originated from Jerzees de Honduras.

It is worth noting that the two WROs have referred former workers to other factories not associated with the company. Through October 2, 102 former workers have been hired by other companies, of which 38 (3\%) were Jerzees de Honduras workers.

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**Element**

**Reasonable access of union organizers to employees.**

**Action 1**

Reasonable access by union organizers to employees of Russell/Fruit of the Loom in Honduras.

**Verification**

This commitment is part of the agenda of negotiations.

**Action 2**

By July 10, 2009, create a company negotiating team empowered to carry out negotiations with the CGT and enter into an agreement covering the issues set out in the FLA Board’s resolution.

**Verification**

Fulfilled. Negotiating teams were created in the month of June and negotiations started on July 29.

**Action 3**

By July 31, seek to have an agreement with the CGT on modalities for the negotiation (“shape of the table”).

**Verification**

Fulfilled. It is confirmed that the negotiations started on July 29. As the negotiating agenda is confidential, neither the company nor CGT/SITRAJERZEES provided information.

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\(^3\) The First-Hire Opportunity Policy for Former Jerzees de Honduras workers states in section (4): “Former Jerzees de Honduras workers will receive first priority for rehiring, before any worker from any other factory in Honduras.” And section (9): Once the Worker Reemployment Office has called and offered to 100\% of the workers registered in the Jerzees de Honduras data base, the following openings will be offered to former workers from other factories, based on seniority.

\(^4\) Between October 2008 and June 2009, Russell/Fruit of the Loom Corporation cancelled 5393 employment contracts.
Step 2. Negotiate measures with CGT to ensure the removal of any obstacles to freedom of association, including those posed by collective pacts (pactos colectivos), without depriving workers of existing benefits.

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**Element**

Negotiate measures with CGT to ensure the removal of any obstacles to freedom of association.

**Verification**

This topic is on the negotiating table.

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**Element**

Remove existing collective pacts without depriving workers of existing benefits.

**Action 1**

Immediately freeze the negotiation of any new collective pacts at Russell/Fruit of the Loom facilities.

**Verification**

**Fulfilled.** In September and December 2008, Russell/Fruit of the Loom Corporation negotiated 7 collective pacts in its 7 factories. As a result, unless a new factory opens or reopens, this commitment will stand.

**Action 2**

By July 31, 2009, complete an analysis of ways to suspend or eliminate existing collective pacts in Honduras in a manner that does not result in a reduction of promised benefits to workers that were embodied in the pacts.

**Verification**

This topic is on the negotiating table.

**Observations:** Although it is an agenda topic on the negotiating table, the company as well as the CGT/SITRAJERZEESH have expressed diverse views. For the company, its legal analysis establishes that the pacts are within the law. Despite this, the company – in a document submitted to the FLA on July 30 – presents three options that would be subject to the negotiation in the United States. The unions indicated that the set up of collective pacts was an action against freedom of association and collective bargaining and that the Labor Commission that represents workers in the negotiation of collective pacts was organized by factory management; this latter point was confirmed by the assessors.

**Action 3**

By September 30, implement a plan to carry out the suspension or elimination of the existing collective pacts in the manner described.

**Verification**

**Not fulfilled.** It was possible to verify in one factory the handling of requests through the collective pact. The item to be verified in the remediation plan is “the removal of any obstacle to
freedom of association, including those that arise from collective pacts” and the commitment by September 30 is to “suspend or eliminate the collective pacts.” The establishment of a process to receive requests and to schedule periodic meetings based on the collective pacts is a demonstration that the pacts are still in place. When consulted, management stated that the collective pacts mechanism is an effective channel of communication.

Action 4
Discuss with the CGT and other civil society organizations, as appropriate, specific actions through which the company could improve communication with workers in a manner that is not perceived as creating obstacles to freedom of association.

Verification
Partially fulfilled with observations. Russell/Fruit of the Loom management in Honduras confirmed that it has only held conversations with the Catholic Church, an Evangelical church, the Red Cross, the Chamber of Commerce, Firemen, ZIP Indelva, and Menonite Commission, all in Choloma. They also met with the Honduran Association of Maquiladores, who together with the Chamber of Commerce of Choloma, offered them advice on the establishment of the Worker Reemployment Offices.

Since the month of July, Russell Corporation in Honduras has not consulted with the CGT on this commitment. Upon being asked why they have not communicated with human rights and labor rights organizations and associations in Honduras, management indicated that the corporation in the United States has conversations with key stakeholders that are accompanying the negotiating process. They, in turn, have relations with stakeholders in Honduras.

Observations: It was possible to confirm that in accessible locations in all of the factories of the corporation, there are signs regarding the “Freedom of Association Policy.” Management stated that in one of the textiles factories, this information already existed because of WRAP certification and that Tara Holeman in an earlier verification visit on behalf of the FLA suggested that the practice should be extended to all factories. Management informed that the FLA was consulted on the content of the policy, expansion of the policy (to other factories) and procedures. The new policy and procedures are positive developments but COVERCO believes, based on Honduran legislation, that they should make reference to the definition of social organizations set out in the Honduran Code, by explicitly referring to the pertinent organization, namely, unions.

5 The new procedure improves communication to all employees of the corporation. The “Freedom of Association Policy” states that the purpose is to “ensure that all workers of the firm have their right to join or not to join social organizations respected and recognized.” The procedures to implement the policy state that “The firm or its representatives at no time will take action against workers who wish to form or participate in a social organization.... Therefore the firm and its representatives will not discriminate against applicants that might have exercised their right to belong to such associations”; and the disciplinary procedures state “any employee who violates this policy will be disciplined according with the disciplinary procedures in effect in the company.”

6 The Honduran Labor Code, Article 460, states: “It is in the public interest the legal formation of social organizations, whether unions or cooperatives.”
Step 3. Discipline managers who impede or have impeded the rights of workers to organize.

Element
Discipline managers who impede or have impeded the rights of workers to organize.

Action 1
By July 31, review charges regarding violations of freedom of association at JDH by managers and supervisors contained in reports issued by the FLA and the WRC, giving weight to worker testimony.

Verification
Fulfilled. Information obtained and review of records confirmed that independent investigations regarding 2 managers were carried out in June and 6 in August to verify charges of violation of freedom of association at JDH. 32 supervisors were not investigated because the company had made the decision not to reemploy them in its factories.

Action 2
By July 31, review employment status within Russell/Fruit of the Loom facilities in Honduras of managers and supervisors accused of violations of freedom of association at JDH contained in reports issued by the FLA and the WRC.

Verification
It was verified that 8 managers are working for Russell/Fruit of the Loom Corporation in Honduras and none of the 32 supervisors are working for Russell/Fruit of the Loom.

Action 3
Using the information above, by August 15 apply disciplinary measures to managers and supervisors at JDH still employed by Russell/Fruit of the Loom following disciplinary rules developed by the company as part of the remediation process.

Verification
Not fulfilled with observations. There is no evidence of the application of disciplinary measures regarding the 8 senior managers. There exists only, for each manager, a report of an internal or independent investigation.

Two internal reports conducted in February by the General Manager of the corporation in Honduras indicates that “he interviewed the two persons, reviewed the records of meetings between the union and JDH, reviewed the complaints filed with the Ministry of Labor and the personnel records of the managers, and concluded that he could not find evidence or facts that confirmed the accusations.”

There are 6 reports by an independent investigator specialized in human resources. The reports note the objective of the investigation and conclude that there is no evidence or facts confirming
the violations. The supervisors were reminded of the commitments made by the corporation and warned about any violations of the policy.

All of the reports have a signed acknowledgment by the person who is the subject and signed by the immediate supervisor.

**Observations:** The verification confirmed that the company did conduct investigations of the cases and that the affected individuals had the right to defend themselves. COVERCO believes that the procedure followed is not appropriate as it considered only evidence provided by the people identified and did not take into account or verify the testimony of those who made the accusations.

**Action 4**
By July 31, review the Standard Operating Procedure for Disciplinary Action adopted by Russell/Fruit of the Loom on February 24, which includes sanctions for violations of freedom of association, and provide greater definition of the specific actions that would trigger disciplinary measures to the policy and procedures, as recommended in the June 19, 2009 independent verification report.

**Verification**
**Fulfilled.** The company has in place policies and procedures for the application of disciplinary measures; there is one policy statement and two procedures.

The first, which came into effect in February 2009, is the procedure for disciplinary measures; they provide guidance for sanctions and contain tools for application. The second is the Disciplinary Guidance for Employees. They are guidelines specific to compliance with freedom of association rights; they establish that violations of freedom of association are violation of company policy similar to Discrimination. The third, effective since August 2009, deals with policies against harassment and discrimination, which includes permitted and not permitted actions, procedures, and sanctions.  

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7 In our observations regarding Step 5, action 3, we assess the progress of disciplinary policies and practices undertaken by the company in Honduras through workshops for managers and supervisors of all factories regarding prevention of discrimination and harassment.
Step 4. Publicly correct the record with respect to previous communications by Russell about the remediation process. Russell must also commit not to make any additional public statements about the FLA or this review process without the prior approval of the FLA.

Element
Publicly correct the record with respect to previous communications by Russell about the remediation process.

Action 1
Effective immediately, refrain from making any public statements or statements to stakeholders making reference to the FLA or the FLA remediation process without prior approval of the FLA.

Action 2
By July 15, issue a public communication from a high-level policy official at Russell/Fruit of the Loom, correcting the record with respect to statements made by the company regarding the FLA and the remediation process, most prominently those made in a letter issued by Russell on May 1, 2009.

Verification
Fulfilled. J.B. Holland, President and CEO, sent a clarification letter to the company’s clients on July 15 where he expresses that the May 1 letter was issued without the consent of the FLA. The letter also expresses that the intent of that letter was not to distort the position of the FLA. It also recognizes retrospectively that references to the FLA were inappropriate and do not express the commitment and responsibility of the company with regard to the process that is taking place in Honduras.

Element
Russell must also commit not to make any additional public statements about the FLA or this review process without the prior approval of the FLA.

Verification
Fulfilled. Russell confirms that it will not make any statements without the input and approval of the FLA.
Step 5. Improve training efforts to ensure all employees have a better understanding of the rights to freedom of association and collective bargaining as embodied in international labor standards. The trainer shall have strong credentials in freedom of association and collective bargaining and a credible reputation among the key stakeholder groups. Any training should be integrated in an ongoing manner in Russell factories, such as has been done with Russell’s “open door” policy.

Element
Improve training efforts to ensure all employees have a better understanding of the rights to freedom of association and collective bargaining as embodied in international labor standards.

Action
By July 30, develop a comprehensive plan for delivering training on freedom of association and collective bargaining to Russell/Fruit of the Loom factories in Honduras. The plan should have significant activities within the 90-day special review period but should extend into 2010 and beyond. Freedom of association and collective bargaining rights should be fully integrated into Russell/Fruit of the Loom’s overall training and policy communication in the same manner as the “open door” policy, which was highlighted in the independent verification report.

Verification
This topic is on the negotiating table.

Observations: Fulfillment of this commitment is connected to the agreement that will emerge from the negotiations in the U.S. The lack of fulfillment of this commitment is justified by the negotiating process.

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Element
The trainer shall have strong credentials in freedom of association and collective bargaining and a credible reputation among the key stakeholder groups.

Action
By July 15, vet potential curriculum writers/trainers for the freedom of association/collective bargaining training with stakeholders and accept suggestions from stakeholders.

Verification
In process. The company in the United States received suggestions from the WRC regarding possible candidates. Three proposals have been received. The company is holding interviews with the candidates. A management team from the company, in consultation with key stakeholders, including CGT, will reach a conclusion. The candidate selected will be part of the negotiating agenda.

The company in the United States expresses that the selection of trainer and conduct of the trainings will be transcendental and crucial.
Fulfillment of this commitment is connected to the agreement that will emerge from the negotiations in the U.S. The lack of fulfillment of this commitment is justified by the negotiating process.

Element
Any training should be integrated in an on-going manner in Russell factories, such as has been done with Russell’s “open door” policy.

Action
By July 30, select an expert to write the curriculum for the freedom of association/collective bargaining training. The expert should have credentials in the freedom of association/collective bargaining areas and a credible reputation among key stakeholder groups.

Verification
In process. The company in the United States received suggestions from the WRC regarding possible candidates. Three proposals have been received. The company is holding interviews with the candidates. A management team from the company, in consultation with key stakeholders, including CGT, will reach a conclusion. The candidate selected will be part of the negotiating agenda.

Fulfillment of this commitment is connected to the agreement that will emerge from the negotiations in the U.S. The lack of fulfillment of this commitment is justified by the negotiating process.

Observations: It is appropriate to mention that from September 28 to October 2, management of the company in the United States began a training program for its managers and supervisors in all of its factories. They are “talks” of about two hours at which they inform about the new “policy to prevent discrimination and harassment.” The talks last no more than 2 hours. There is evidentiary information that 747 persons have attended the talks. It is relevant that managers, as well as administrative personnel and supervisors of all factories have attended.

The content of the talks describes the new disciplinary procedures that sets out that any employee, supervisor or manager who is engaged in discrimination or harassment will be sanctioned with a written reprimand the first time and with termination of employment the second time; depending on the severity of the action, the first violation could result in dismissal if the violation is confirmed.

Within the discussion of discrimination, the topic of the rights of workers to participate in social organizations and bargain collectively is discussed, without defining who might be the social organizations.

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8 1400 Policy Against Discrimination and Harassment, August 2009, Fruit of the Loom, Inc.
These new procedures are a substantial improvement over the “open door” policy.

**Suggestion:** Although there are already three proposals to develop and administer the freedom of association and collective bargaining program and without trying to criticize the qualifications and professional experience of the candidates, based on our experience in training programs, COVERCO recommends adding to the Terms of Reference “Experience and knowledge of the reality and labor legislation in Honduras.” This would guarantee transparency, objectivity and lead to an effective training program.

There should also be weights and scores from 0 to 5 for the Terms of Reference, for example:

- A. Experience and knowledge and the reality and labor legislation in Honduras—30%
- B. Demonstrated experience in the area of training—30%
- C. Credibility with all relevant stakeholders—20%
- D. Experience in the strategic development of short-term and long-term education programs—20%

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<tr>
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Step 6. Engage with all relevant stakeholders in this review period to facilitate resolution of the remediation process. Key stakeholders include Fair Labor Association member universities, Worker Rights Consortium, Clean Clothes Campaign and Maquila Solidarity Network.

Element
Engage with all relevant stakeholders in this review period to facilitate resolution of the remediation process. Key stakeholders include Fair Labor Association member universities, Worker Rights Consortium, Clean Clothes Campaign and Maquila Solidarity Network.

Action
Consult with relevant stakeholders, especially the key stakeholders listed above, on ways to make the remediation process more effective and on significant remediation steps that involve policy changes or engagement of consultants prior to making the changes or engaging the experts.

Verification
Partially fulfilled. Russell/Fruit of the Loom management in Honduras informed that the negotiating process is taking place in the United States. The agenda and the conclusions of the negotiations are confidential. In Honduras, they have spoken only with the Catholic Church, an Evangelical church, the Red Cross, the Chamber of Commerce, Firemen, ZIP Indelva, and Menonite Mission, all in Choloma. They also met with the Honduran Association of Maquiladores, who together with the Chamber of Commerce of Choloma, offered them advice on the establishment of the Worker Reemployment Offices.

In Honduras, the company is implementing the FLA 3.0 process. They have already applied SCOPE and SCAT; this has allowed them to reorient their policies and practices with regard to disciplinary procedures.

They have not yet contracted consultants to help them in changing policies. It is the company in the United States that is interviewing consultants that will assist in policy changes. The company in the United States is also the one that is establishing and maintaining communications with key stakeholders.
Step 7. Continue to implement all other applicable aspects of the remediation plan as presented on January 29 and February 12, 2009.

Element
Continue to implement all other applicable aspects of the remediation plan as presented on January 29 and February 12, 2009.

Action 1
By July 15, complete a review of the remediation plans presented on January 29 and February 12, as well as the June 19 independent verification report, and identify areas where remediation is incomplete. Working with FLA staff, develop specific activities that can be undertaken to enhance the remediation plans and their effectiveness.

Action 2
Provide status reports on the implementation of this remediation plan and the earlier ones to the FLA every four weeks for dissemination to a broader set of stakeholders.

Verification
Fulfilled. The company prepared on July 29 and in August reports regarding actions taken regarding the resolution approved by the FLA Board on Special Review for Russell Corporation. The reports describe progress made with respect to all seven steps.

Action 3
Provide a comprehensive report on the implementation of the remediation plans immediately after the end of the 90-day special review period.

Report
Fulfilled. The company prepared on September 25 a final report regarding actions taken regarding the resolution approved by the FLA Board on Special Review for Russell Corporation.