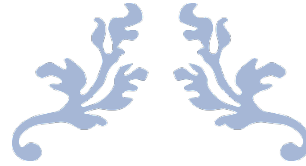




FLA Member/Affiliate Update

Please note that HanesBrands Inc. ended its membership as an FLA Participating Company on 11 December 2024.



INDEPENDENT INVESTIGATION FAIR LABOR ASSOCIATION (FLA)

CONFECCIONES EL PEDREGAL S.A. DE C.V. (EL SALVADOR SEW)
HanesBrands Inc SUPPLIER



MARCH 20, 2024

PREPARED BY: ENA NÚÑEZ O'BRIEN
EL SALVADOR. CENTRAL AMERICA

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I. BACKGROUND AND SCOPE OF THE INVESTIGATION

On November 27, 2023, the Fair Labor Association (hereinafter FLA) received a Third Party Complaint from *Federación Sindical de Asociaciones y Sindicatos Independientes de El Salvador* (Federation of Independent Associations and Unions of El Salvador, hereinafter “FEASIES” or the “Complainant”). FEASIES informed that on November 16, 2023, the Factory “EL SALVADOR SEW” owned by *Confecciones El Pedregal, S.A. de C.V.*¹ (hereinafter the Factory), which supplies HandsBrands Inc. (HBI), announced a gradual plant closure due to a consolidation of its supply chain in El Salvador. Fifty percent of the labor force (over 700 workers) were terminated the same day that the closure was announced, and the remaining workers were to be terminated at the end of the first quarter of 2024, the time at which the closure was expected to be completed.

After presenting the complaint, the FLA encouraged HBI to cooperate with the complainant to search for a solution through a direct dialogue. Despite the multiple attempts by the FLA team to receive a positive response and a report regarding any corrective action by HBI, no resolution had been reached after three months. Therefore, FLA proceeded with the complaint by means of the present investigation.

The FLA accepted the Complaint for a formal investigation and commissioned legal counsel Ena Nuñez O’Brien² (hereinafter the Investigator) to examine the allegations presented by the Complainant and to review whether the Factory complied with the relevant national laws, including the required legal proceedings. The Investigator also examined whether the Factory complied with the FLA Workplace Code of Conduct and Compliance Benchmarks with respect to the following points:

- A. The retrenchment process conducted in mid-November 2023,
- B. The calculation and payment of severance for the more than 700 workers terminated in mid-November 2023, and
- C. Evaluation of the implementation plan for the gradual closure of the factory to be completed during the first quarter of 2024.

Specifically, the Investigator was commissioned to evaluate the following:

1. The alleged noncompliance with the FLA Workplace Code of Conduct and Compliance Benchmarks during the process of planning and implementing the personnel reduction carried out by the Factory in mid-November of 2023;
2. Evaluate compliance with the Factory’s Workplace Rules (Policies and Procedures) during the management and implementation of the personnel reduction of more than 700 workers during the middle of November of 2023;
3. Investigate the allegations regarding the incorrect calculation and payment of the severance payments for workers terminated mid-November 2023, and establish whether the payment of this legal benefit complies with the framework of FLA Workplace Compliance Benchmark ER 15.4.1;
4. Evaluate the current status of the announced Factory closure:
 - Identify if additional workers have been terminated since the middle of November of 2023;
 - Identify if there has been a change in criteria for the calculation of termination severance for workers terminated after November 2023;
 - Determine compliance with all legal requirements during the closure process which could be associated to payment of contributions to Social Security, pension funds and other legal benefits;
 - Identify additional measures adopted by HBI to minimize the negative impact of the closure on the workers.

¹ This Factory is located in Sam Li Industrial Park, Carretera a Santa Ana, Km. 31.5, San Juan Opico, La Libertad, El Salvador.

² Ena Nuñez O’Brien is a lawyer and notary with studies specializing in Employment, Labor Relations and Social Dialogue, as well as Human Rights, among others. She is an independent consultant in labor matters both at a national level and internationally.

Confecciones El Pedregal S.A. de C.V. has two plants in El Salvador, one in San Juan Opico “El Salvador Sew”, where the investigation was conducted, and the other in El Pedregal Free Trade Zone, located in the La Paz department.

Furthermore, there are two trade unions with Sectional Executive Committees present in the Factory. The first is *Sindicato de Trabajadores de la Industria del Vestir de El Salvador* abbreviated STIVES³, and the second is *Sindicato de Trabajadoras y Trabajadores de la Industria Maquiladora, de Comercialización, Servicios y Afines de El Salvador*, abbreviated SITRAIMES. Both unions are affiliated with FEASIES.

Prior to the retrenchment, the “El Salvador Sew” plant had 1592 workers, at the time of the visit Management stated that there are 744 active workers; however, this could not be confirmed as Management denied providing the list of all active workers. The plant specializes in the production of sports apparel.

II. METHODOLOGY

The methodology included the collection of relevant information for the investigation; specifically, through interviews with various actors and reviewing documents related to the allegations by the Complainant.

During March 14, 15 and 18, the Investigator, along with a field assistant⁴, visited the Factory. On the first day of the visit, the Investigator interviewed members of the Factory Management Team and members of the Executive Committees of the STIVES and STRAIMES⁵ Union Sectionals, organizations affiliated to the Complainant (FEASIES). The methodology also included conducting interviews with workers currently working at the Factory and although Management denied access to them, as will be pointed out in the limitations of this investigation, the Investigator used other resources in order to interview a sample of these workers.

Furthermore, the methodology included interviews with: workers terminated during the personnel reduction carried out mid-November 2023; workers who resigned after that date to the date of the investigation; the Secretary General of FEASIES and the General Labor Director from the Ministry of Labor and Social Welfare.

Details of interviewed workers:

Category	Method	Quantity
STIVES and SITRAIMES Union Representatives	Group	14
Workers included in the 11/17/2023 personnel reduction	Individual	16
Workers who have resigned after the personnel reduction	Individual	5
Current active workers	Individual	10
Total		45

Interaction with Factory representatives: In addition to the initial and closing meetings, the Investigator also interacted continuously with Factory Managers and other supervisors in order to discuss issues within the scope of the investigation. These interactions were conducted with the following management representatives:

³ Attached is the certificate of resolution issued by the Social Organizations Department of the Ministry of Labor and Social Welfare, by which the current Executive Committee was registered from August 18, 2023, until August 17, 2024, ordering the issuance of their respective credentials.

⁴ Wendy Martínez, was responsible for reviewing payroll and carrying out calculations.

⁵Attached is the certificate of resolution issued by the Social Organizations Department of the Ministry of Labor and Social Welfare, by which the current Executive Committee was registered from June 11, 2023, until June 10, 2024, ordering the issuance of their respective credentials.

	Position
1	Operations Manager
2	Senior Human Resources Manager
3	Country Human Resources Manager
4	Lawyer/Legal Counsel
5	CSR Superintendent
6	HR Superintendent
7	Payroll Manager
8	HR Superintendent

In addition, the Investigator conducted a review of records and documents related to this investigation, some provided by Management, others by FEASIES, others by union organizations with a presence at the Factory, interviewed workers and others obtained by the Investigator, as detailed below.

Reviewed Documents
Policy for Retrenchment and Plant Closure
Freedom of Association Policy
Internal Work Rules
Statement made on November 16, 2023, and Statement made on March 13, 2024
Meeting minutes for two roundtable meetings between company representatives and representatives from STIVES, SITRAIMES and FEASIES from February 24 and April 14, 2023
Timeline of communications regarding plant closure
Example of Proof of Employment provided to dismissed workers
List of terminated pregnant workers or workers with postpartum maternity protection
List of workers who have resigned after November 17, 2023
39 files for terminated workers
18 files for workers who resigned
Payroll for Social Security and AFP
Various documents from the Institute of Social Security provided by interviewed workers (medical appointments, medical leave, results of X-Rays, medical labor recommendations, recommendations issued by rehabilitation services, prescriptions for permanent medication, etc.)
2 documents of Proof of Employment issued by the Factory
Letter signed by FEASIES Secretary General, addressed to Mr. Frank Vasquez from HBI, dated February 5, 2024
Table for Income Tax Withholding
Publication for invitation to job fairs held by HBI published on CAMTEX Facebook page.

III. RESULTS OF THE INVESTIGATION

Challenges faced during the investigation processes:

The Investigator was not provided with access to information she had requested notwithstanding the multiple verbal and written requests during the three days of the factory visit. Specifically, it was not possible to gather the complete data in order to perform the precise calculations of the total amount owed to all workers dismissed in November 2023.

Although Management provided some of the requested information, the Investigator did not have access to other relevant records such as:

- Records and payment stubs for severance payments that each worker received in advance prior to termination. This is due to the fact that the Factory had a practice of paying annual severance to all workers. In addition, Management denied the Investigator's request to see the payment system, alleging they were not authorized for this. The Investigator requested this information in different forms, but it was not provided.
- Employee files for workers affected by the personnel reduction carried out in November of 2023. Management provided various excuses that delayed delivery and at the end of the third day had only provided 39 employee files.
- List of dismissed workers with chronic health issues or disabilities. Management stated that they were unaware that there were workers from these categories of workers among those dismissed.
- List of active workers including the list of pregnant workers or on maternity leave, workers with a disability or workers with chronic health issues.
- Access to current active workers in order to carry out interviews.
- Documentation of the analysis carried out used to support the decision to close the plant and therefore the retrenchment executed in November of 2023.

However, in spite of these limitations, the Investigator used other methods for proof, equally relevant, to verify the allegations presented by the Complainant, as detailed below.

Facts related to the allegations of the Third Party Complaint:

1. Process of planning and implementing the layoffs carried out by the Factory in mid-November 2023

1.1. Communication and previous consultation with worker representatives

On November 16, 2023, between 1:30 and 2:00 pm, the Operations Manager for the Factory along with the rest of the Management Team arrived on the production floor where workers are located, turned off all machines and read a statement which indicated the following information⁶:

“Due to the uncertainty of the current global economic conditions and low consumer demand, the corporate office has taken measures to align and consolidate production capability and resources to continue to service our customers and consumers in the best way possible. For this reason, today we are communicating to all our EL SALVADOR SEW employees that we are forced to carry out a total, forced and definitive closure of operations at this plant, a decision that will impact all 1,592 employees. However, the closure is set to take place in phases, with the first phase beginning November 17, 2023, impacting 702 employees⁷ continuing in accordance with production requirements of the business until the closure of the plant is completed. [...] I would like to reiterate today that the

⁶ Management shared a copy of the initial statement and of the last statement carried out.

⁷ Management stated that they initially announced that the number of workers affected by the first layoff would be 702, the final number was 695.

decision to close this plant is based on a reorganization of the business and the alignment of production capabilities of all HanesBrands plants at a global scale. All employees without exception will receive the payment of their labor benefits in accordance with the law. [...] The workers who are part of the initial Phase starting tomorrow Friday, November 17, 2023, will be notified by their immediate Supervisors by means of a written notification which will include the time at which they have been convened to claim their labor severance [...]"

Specifically, the FLA Workplace Compliance Benchmark ER.16.2. establishes that: “when an employer is facing changes in production, program, organization, structure or technology, and these changes result in temporary or permanent personnel cuts, any alternative which has been considered to the reduction in personnel must be communicated and consulted with worker representatives in the interest of avoiding and minimizing the layoffs”.

According to the gathered information it was determined that, two days prior (November 14) the Regional Human Resources Manager for HBI invited the FEASIES Secretary General to a meeting. This meeting took place at noon on November 16 at a restaurant in the city and at this meeting, along with the Regional Human Resources Manager, HBI’s lawyer was present. On this occasion, they informed her “that the company El Pedregal Sam Li, would close in phases, and that same day, the workers would be notified of this situation. They also stated that they would be paid in total in accordance with the law, and that the group that would be terminated included pregnant workers and workers with chronic health issues.” The FEASIES representative expressed that she told them that could bring consequences - the dismissal of pregnant workers and workers with chronic health issues- but the Factory representatives told her not to worry, that they would pay in accordance with the law and that no union representatives would be dismissed in the first group. When she – the FEASIES representative- was still at this meeting, she received the news from the STIVES and SITRAIMES representatives, who informed her that at that time all workers had been notified of the plant closure and the dismissal of approximately 700 workers. This news surprised the Complainant’s representative, since she had not even had time to communicate with the union officers from the sectionals at the Factory to share the information HBI representatives had given. It is relevant to note that, no members of either sectional executive committees were included in the dismissals, they are still currently employed.

On November 17, after meeting with officers from both union sectionals, the FEASIES representative requested the assistance of the General Labor Director to verify the calculations for severance payment, spoke with the HBI lawyer and facilitated access to the Ministry of Labor representatives. Approximately three days after, using WhatsApp, she sent a message to the Regional Human Resources Manager and HBI’s lawyer, with comments about the payment procedure and calculation of the severance in accordance with FLA Workplace Compliance benchmarks, including an image of the text with the corresponding compliance benchmark; however, the days passed and there was no reaction, therefore on November 26 the Complaint was presented to the FLA. After the Complaint was presented, on November 30, the Regional Human Resources Manager and HBI’s lawyer, telephoned and with a tone of surprise questioned why the Complainant had accused the Factory of terminating pregnant workers, which is true, but she restated her desire to solve the situation and reach an understanding and noted that she had tried to contact them previously but had not received an answer and after exhausting this route, she was forced to approach the FLA. They agreed to discuss the issue further but was never contacted again.

Days later, the FEASIES representative consulted with HBI’s lawyer about the issues, and he “categorically” responded that this was being reviewed and that this benefit would be eliminated, referring to the practice of paying severance in advance, which is not what is being requested by FEASIES. On January 23, 2024, the Complainant’s representative sent a letter via e-mail to HBI’s Corporate Social Responsibility Director explaining the situation in detail and requesting the search for alternatives to the proposal regarding the severance calculation. The HBI representative requested time to investigate and provide a more concrete response, but this never occurred.

Therefore, on February 5, a new communication was sent requesting him to obtain an official response to their proposal, but it was not received either⁸.

Management confirmed the meeting carried out between the Regional Human Resources Manager⁹ and HBI's lawyer¹⁰ and the FEASIES representative on November 16, 2023, -which they consider to be advanced notice- they expressed that after this, they have not met with her again, and even though the Investigator insisted on knowing the reasons why the decision for the closure was not communicated to or consulted previously with STIVES and SITRAIMES union officers, there was no clear response on this matter, only that STIVES and SITRAIMES "are not unions" they are "Sectionals", and they confirmed that they were notified at the same time as the rest of the workers. Management stated that they have only met with representatives of these Sectionals at their request¹¹.

Management provided the Investigator with a document with a timeline detailing the order in which the decision was communicated, starting on November 7 with the preparation of the statement for the notification of the closure and the preparation of payment and required legal documents, continuing on November 13 with printing and reviewing all documents, ending on the 16th with communication to FEASIES and all personnel.

From the reading of the statement to workers it can be inferred that they were notified of a firm decision by HBI, and that there was evidently no opportunity for worker representatives to learn of and express doubts and concerns, at least with regards to the following points:

- a)** The reasons that led HBI to reach the decision for closure and the executed layoffs;
- b)** Discuss or evaluate the possibility to take alternative measures to avoid or minimize the layoffs;
- c)** Know and evaluate the plan regarding possible measures to mitigate the impact of the decision on affected workers;
- d)** Have knowledge in advance the quantity of workers that will be included in the layoff and the criteria for selection of the same in order to guarantee the application of fair and objective criteria without any discrimination;
- e)** Evaluate affirmative measures for workers with the maternity protection or chronic health protection or workers with disabilities or receiving medical treatment, etc. The layoffs included 26 workers, some pregnant and others in their postpartum period with legal protection. The Investigator was also able to document various cases of workers with illnesses and under medical treatment who were also terminated; however, Management -surprisingly- stated not knowing if among the terminated workers, there were people with a disability or chronic illness.
- f)** Have knowledge with the required anticipation the date in which the personnel reduction was to be carried out;
- g)** Have knowledge of the method which would be applied for the payment of severance (Calculation), type of documents workers would sign, etc.

None of the above was possible, since no information was provided, nor any consultation carried out with worker representatives. Management expressed that the decision for the closure was made a few months before, which means they had enough time to communicate and consult with worker representatives, however, this was not done.

Regarding the causes for the Factory closure, Management explained that the sale of sports apparel, specifically sports pants, which is the specialty for the El Salvador Sew plant, suffered considerable losses during the last two

⁸ Attached are copies of correspondence sent by FEASIES to HBI.

⁹ Regional Human Resource Manager

¹⁰ Lawyer, legal counsel for the Company.

¹¹ Attached are two meeting minutes for roundtables celebrated in February and April of 2023.

years. Due to this, it was necessary to review capabilities at all plants and El Salvador Sew had the lowest sales, which led to the decision for the gradual closure of the aforementioned plant. Subsequently, the first personnel reduction was planned, determining the number of workers to be included in the cut, whose selection was determined by the product produced, selecting entire teams (modules). The Investigator requested documented evidence of the analysis performed, but this was not provided.

1.2. Develop and implement a plan to mitigate the negative effect of these changes (termination) on workers and their communities.

In accordance with FLA Workplace Compliance Benchmark ER.16.3. where personnel layoffs are unavoidable - temporary or permanent- a plan should be developed and implemented **that mitigates the adverse effects of the changes on workers and their communities.**

The Factory did not provide evidence that they had developed a plan with measures to mitigate or decrease the negative effects that the termination would bring affected workers and their communities. Management only maintained that the way the personnel reduction was carried out was in accordance with Salvadoran laws, emphasizing that the company respects the Rule of Law.

The statement made to all employees including the workers terminated on November 17, 2023, shows no evidence of any measure that aimed to mitigate the negative effects of the executed layoffs, both for workers and their communities. The untimely manner in which the layoffs occurred for 695 workers, according to information provided by Management, was immediate and irreversible, there was no time to digest the news that they were losing their jobs, there was no effective and timely communication, since in the afternoon hours on November 16 they received the news of their termination and the following day they received their severance payment.

Dismissal of pregnant workers and workers during their postpartum protection period:

The Investigator would like to point out this part of the process carried out by the Factory, the dismissed group included 26 women currently pregnant¹² and in the postpartum period with maternity protection. Management maintained that they complied with the law by paying their salary and severance until the date their maternity protection ends.

According to Salvadoran legislation, pregnant workers and in their postpartum period enjoy a special protection and the law therefore guarantees the right to labor stability, that is, they may not be dismissed, their dismissal **does not cause the termination of their labor contracts** because it is prohibited by Art. 42 subsection 1 of the Constitution and Art. 113 of the Labor Code. Such has been the violation of these standards in Salvadoran practice that by order of the Constitutional Chamber -Ref. 62-2018/50-2019- recently subsection "A" was added to Art. 113 of the Labor Code that establishes the obligation for the Judge to reinstate the woman dismissed under these conditions, even ex officio and as a precautionary measure or in sentencing.¹³

Furthermore, the FLA Workplace Compliance Benchmarks establish that employers must guarantee the legally required protection and management of special categories of workers, including pregnancy (ER.2), the protection for pregnant workers against discriminatory termination (ND. 6.3), and the obligation to guarantee the safety and health measures for pregnant workers and their unborn children (ND.8 and ND. 8.1.1).

¹² At the request of the Investigator, Management provided a list.

¹³ This article was incorporated recently in legislation establishing the guarantee of reinstatement immediately, when there is a de facto dismissal of a pregnant worker or during the postpartum period. Published in the Official Government Gazette No. 50, Vol. 438, [Diario Oficial No 50, Tomo 438], on March 13, 2023.

Dismissal of workers with chronic health issues or other medical conditions:

The Investigator requested a list of workers with chronic illness who were terminated in November of last year; Management refused to provide this information alleging they had no knowledge that among those terminated there were people with this condition¹⁴.

"I have various illnesses and I was on medical leave when I was terminated, it was the last day of my medical leave, I was to go back to work on Friday, but on Thursday, they called from the company and told me to go Friday to sign (...), they did not care about my situation, or that of other coworkers, they fired evenly. I have looked for work, I have been unable to find work, when they see you are sick and because of your age, you are no longer useful (...)". Interviewed worker.

Among the interviewed workers, at least 9 workers were identified who claimed to suffer from various illnesses such as: diabetes, hypertension, right lumbosciatica (in the process of rehabilitation), renal disease, tendinitis of the shoulder, knee arthrosis (both knees), rheumatoid arthritis and neoplasia of the left acetabulum¹⁵. Even though not all workers provided documentation to certify their condition, some presented appointments for specialist, prescriptions for permanent use medication, and in one particular case, Occupational Medicine in the Salvadoran Social Security Institute sent the Factory a medical labor recommendation based on Workplace Risk Prevention Law, to support the rehabilitation of a worker who suffers rheumatoid arthritis, a chronic illness. These recommendations were still in force at the date of dismissal¹⁶. In addition, a worker provided a copy of the medical leave certificate stating that on November 16, 2023 (date termination was notified), she was still on medical leave.

As in the case of pregnant workers, the Salvadoran law establishes a prohibition of termination of workers with chronic illnesses, as established in Art. 30 number 17 and in Art 308-A of the Labor Code. The objective of this protection is to guarantee that they have an income and coverage by social security. Furthermore, the FLA Workplace Compliance Benchmarks establish the duty to protect workers belonging to "special categories" (ER.2), which include people with health conditions - among them, those suffering chronic illnesses but is not limited to them- and an employer must not make decisions that negatively affect the employment status -dismissal- unless it is due to inherent requirements of the job or the medical need to protect the worker (ND.9).

All interviewed workers expressed that they were not given the option to keep their job until the final closure or offered to be relocated to other HBI plants. In addition, two of them stated that they were still on medical leave when they received a telephone call to notify them to report to the Factory the following day, but only to collect their severance payment. Some expressed their concern, because their documents and medical history were at the Factory clinic and were not provided to them, nor did they explain their treatment and follow up at Social Security. Some workers have already lost coverage, while others have been able to continue as beneficiaries of their life partners.

According to their statements, these workers in particular, are facing serious challenges to obtain new jobs, since no factory hires pregnant women or women who have had children recently, or workers with chronic illnesses or who have suffered an injury, and older workers - many of them are over 40 years old.

Since the Factory closure will be gradual, the Factory should have safeguarded employment and access to social security for these workers, at least until the completion of the final closure, and in addition offer them relocation to other HBI plants with a recognition of their seniority. The actions of Management demonstrate that these workers' terminations did not comply with Salvadoran law and were performed in an arbitrary manner.

¹⁴ In spite of the request, Management did not provide the list of people with a disability or chronic illness included in the layoff, alleging they had no knowledge of this information.

¹⁵ In this case the person suffering this illness has a physical disability and requires the aid of a cane to walk.

¹⁶ The letter was issued November 24, 2022, and the recommendation was valid for two years.

1.3. Communication and publication of the plan to workers

The FLA Workplace Compliance Benchmark ER. 16.4 establishes that the “plan” must be communicated clearly and posted, and it must include channels for worker feedback that allow them to ask questions and provide their feedback.

Workers were only read a statement regarding the closure and terminations, this statement made reference, as stated previously, broadly and briefly to the reasons for the closure, the date of the first terminations (initial phase), the date for receiving the corresponding severance payment, that pregnant workers would be paid in accordance with the law, those who could not work would be paid their severance according to the date their medical leave ended, among others, but none dealt with any measure to mitigate the negative impact of the termination as stated in the prior section.

The statement used for notification about the gradual closure and initial personnel reduction was read and presented orally, it was never posted within the facility for the workers to read.

With regard to the channels for worker feedback, part of the statement read to the workers stated the following: “We know you have several doubts/questions and at the end of this communication your respective supervisors and Human Resources will provide you with a blank sheet so that you may write your questions and/or concerns so that we may respond/explain.”

However, interviewed workers informed the Investigator that after the statement made by the Operations Manager, their supervisor opened an envelope in their possession since before the news was given and gave them each a paper in the shape of a ticket which indicated the time to report on the following day in order to receive payment, since they would enter the plant in groups, that was all they were provided. Some interviewed workers stated that they asked their supervisors what would happen to them since some of them were pregnant, others were receiving medical treatment at Social Security, even some with scheduled surgeries, workers with chronic illnesses, but they were told there was nothing to do, that they were all leaving, referring to the entire team, and there were no opportunities for further inquiries. One of the interviewed supervisors informed the Investigator that even they did not know anything, that minutes before the Operations Manager read the statement to all workers, they had been called to the Conference Room where the statement was read to them, and they were given an envelope. Immediately after, they went to the production floor along with the Management team and all personnel where the Operations Manager read the statement. They then proceeded to their area, opened the envelopes and delivered the tickets with the time to report the following day. Workers asked them various questions, but they did not have any answers since they did not have any additional information.

1.4. Opportunity to transfer to other HBI plants in the country.

According to FLA Workplace Compliance Benchmark ER.16.5 “Employers shall give retrenched workers opportunity to transfer to other owned facilities in the country at a comparable wage and make all efforts to facilitate re-employment in other enterprises in the country”.

Some of the phrases expressed by interviewed terminated workers:

*"The news hit us like a bucket of cold water."
"It felt awful when we were removed, it was sudden and hard for all of us".
"When they told me that I was also fired, I said to my supervisor, what am I going to do, I have an evaluation for surgery at the ISSS, the supervisor just said: it doesn't matter, there's nothing to do".
"I was on medical leave, I was returning to work on Monday, but on Thursday, Human Resources called me to let me know that I had to go on Friday to pick up my payment".
"They took us by surprise, I felt like crying, I got nervous, I thought of my debts".*

When consulted about this matter, Management expressed that transfer to another plant was not offered because at that time there were no similar positions available. Confecciones El Pedregal has a second plant located in the El Pedregal free trade zone in La Paz which is too far for the workers.

Management explained that, even though HBI has other plants in the area, they produce primarily underwear and socks, work at that Factory is very different to what retrenched workers currently

performed. Operations are different and it is difficult because there they work in rotating five day shifts. The Investigator confirmed that there are two plants one called "HBI Textiles" and the other is "El Salvador Socks", located at Km. 34 on the highway to San Juan Opico.

The statements by Management contrast with the evidence identified by the Investigator, which demonstrates HBI was hiring personnel - **for various areas and requiring no experience**-, at the plants located on the highway to San Juan Opico, days before the terminations took place, specifically November 10, 2023, when the decision for the closure had already been taken¹⁷. If HBI was hiring personnel for various areas at other plants in the area, they could have offered those positions to the El Salvador Sew plant workers, but they did not do this.¹⁸

Nevertheless, Management expressed that even though a transfer was not offered, they were informed that if they wished to return to work at any HBI plants, to sign up and update their contact information to be called when vacancies became available. Although this information was requested, this database was not provided to the Investigator nor was the information on workers hired at other plants.

"The day of payment, I asked if I could be transferred to Socks -another HanesBrands factory in the area- they said no, to leave my current phone number in case they needed people at another plant and they would call, but they have not called, nor to the others who were dismissed, many have gone to look for work, but then they do not call them, I only know of one person who is working there". Testimony of dismissed worker.

Workers stated that in fact they had been asked to sign up and put down their phone number if they wanted to work "with them" - referring to HBI- when vacant positions became available at other plants or other companies. However, they explained that at no point were they informed that they would have preference for hiring, but that they could apply and follow the process and evaluations like any other worker. Some of the interviewed workers stated they had signed up for this list but at the time of the interview, none had been called, even though they were hiring personnel at the other plants. Others said they went to look for employment at the factory located on the

highway to San Juan Opico, performed the tests but were never called.

2. Compliance with Workplace Rules at the Factory (policies and procedures) Management and implementation of the retrenchment of more than 700 workers in mid-November of 2023

The Factory lacks procedures for contract termination, retrenchment and closure.

The Factory has a **Retrenchment and Closure Policy**. This policy assigns responsibilities to the different officers, the general principles of the policy related to the commitment by HBI to: employment stability and security; executing

¹⁷ Timeline of communication about plant closure provided by Management.

¹⁸ Attached is a copy of the invitations posted on CAMTEX Facebook Page.

impartial, objective and transparent retrenchment processes, without discrimination; commitment to relocate workers in cases where vacancies exist at another HBI business unit; payment of benefits in accordance with local law and the commitment to inform employees about the cause of the plant closure and any other relevant information.

The policy also states the business situations which can lead to a plant closure or personnel retrenchment such as: a) inventory goals covered or exceeded, b) increase in plant efficiency, c) excess personnel vs. plant budget, d) Force Majeure events, e) geographic competitiveness, f) process optimization, g) consolidation of business units and cases that national law establishes in accordance with Arts. 48 and 40 of the Labor Code.

Finally, the policy establishes the order in which communication will be carried out in case of retrenchment or closure depending on the number of workers affected.

Although the Factory has a policy that incorporates the general commitments in the matter of retrenchment and/or plant closures, it **does not have a written procedure that contains all aspects of contract termination due to retrenchment or closure** in such a way that the policy’s commitments are guaranteed in each of its steps.

Even though the policy includes the commitment to guarantee retrenchment processes that are impartial, objective and transparent, and free from discrimination of any kind; the Factory does not have a written procedure that incorporates how to proceed in the event of a retrenchment and/or closure, resulting in contract terminations, which in turn includes the criteria and the order for the selection of workers that will be included in the retrenchment process like the one that was executed, measures to guarantee employment and social protection of pregnant workers, people with illnesses or undergoing medical treatment or rehabilitation, people with disabilities, measures to mitigate the negative effects of the termination on workers, among other aspects.

3. Determine if the calculation of the severance payment for termination and other labor benefits was correct and in accordance with the FLA Workplace Compliance Benchmarks.

As cited previously, Management announced the closure and notified that 702 workers would be dismissed on November 16, 2023, but the final result was 695 dismissed workers¹⁹. Below, some general information is presented.

Table: Quantity of workers by gender and approximate years of service

Year Hired	Quantity	Gender		Approximate years of service
		F	M	
2008	22	20	2	15
2009	62	49	13	14
2010	24	17	7	13
2011	8	3	5	12
2012	13	7	6	11
2013	26	22	4	10
2014	32	25	7	9
2015	27	25	2	8
2016	34	30	4	7
2017	28	24	4	6
2018	36	23	13	5
2019	47	32	15	4
2020	39	27	12	3
2021	90	73	17	2
2022	64	56	8	1
2023	143	118	25	-1
Total	695	551	144	

¹⁹ Management stated that the numbers were adjusted on various occasions.

The FLA Workplace Compliance Benchmarks related to severance payment corresponding to termination due to retrenchment that should have been observed by the Factory during the payment process are the following:

a) Have written procedures.

ER.15.1. "Employers shall have in place a procedure for determining termination payouts, including methods for correct assessment of payouts for all modes of termination/retrenchment, taking into account national legal requirements".

According to the investigation, although the Factory does have a Policy for Retrenchment and Plant Closures, it has not adopted a detailed step by step procedure, of how to proceed in each of those cases. This policy on severance payment states the following: "P6. All employees involved in the process of a plant closure and/or retrenchment, will receive their corresponding benefits which will be covered by the local laws of the nation". The policy does not establish a method for reviewing the respective settlements.

b) Effective communication channels.

ER.15.2 "Employers shall establish channels for workers to confidentially express any concerns or problems they may be experiencing around legally owed payment during a retrenchment process".

Management maintained on repeated occasions that the payments were carried out in accordance with Salvadoran law. However, workers informed the Investigator that they really did not know how the severance payment they were issued was calculated and whether what they were provided is what they were entitled to by law. Because of the immediacy with which the events occurred, they had no other option but to accept the payment. They did not know who to turn to. The people present were not known to them; they were just lawyers that only told them to sign and if they did not sign, to go to the Ministry of Labor. Some workers believe they did not receive the amount they were entitled to, but they had no other option but to receive what they were given.

Five workers told the Investigator that when they expressed their dissatisfaction with the payment, one person they believe was a lawyer told them to be grateful they were given that -referring to the payment- because the company had already declared bankruptcy, that if they wished they could go to the Ministry of Labor to complain.

c) Prohibition to requiring signature on settlement document as a condition for providing severance payment.

ER. 15.3 "Employers shall not demand that workers sign any declaration of good health, waivers or releases of other rights as a condition of receiving severance pay or other legal benefits from the company and shall not threaten to withhold benefits if workers do not sign."*

During the review of the sample of 39 employee files for dismissed workers, it was confirmed that all workers signed a Notarial Act that stated they were presenting an **"IRREVOCABLE RESIGNATION" and they provided a wide-ranging indemnity discharge "FINIQUITO"**, releasing the company *Confeciones El Pedregal, S.A. de C.V.* from all responsibility that could arise from the employment relationship that linked them since the Company had paid in its entirety, among others, their seniority.

When Management was consulted on why workers signed a Notarial Act for a "resignation" when what actually occurred was a dismissal, Management did not provide further explanation only that workers signed that way because it was not a dismissal, it was a contract termination and that it was all legal. The Investigator decided not to discuss this matter with Management since this assertion does not align with Salvadoran law.

Workers said that some of them did not really know what they had signed; they only signed because they were told to sign and were not given the opportunity to read the documents.

Some workers stated that they did notice it said resignation, but decided not to refuse, because they would not receive their payment or the Proof of Employment. However, other workers stated that they did question the people present representing the company -apparently lawyers- and refused to sign, but one lawyer told them there was nothing illegal, that even the Ministry of Labor had verified that everything was in accordance with the law. The lawyer said if they did not want to sign, they could go to the Ministry of Labor and that they would still receive the same amount that they were being offered. If the workers didn't sign, they would not receive the check. They informed other workers that the company was bankrupt, and they could no longer pay them and because of that they should be grateful they were being paid the severance.

One worker stated that she did not want to sign because it said resignation to which a lawyer stated: "if you do it or don't- referring to whether she signs the notarized resignation document and settlement- either way she is dismissed, go to the Ministry of Labor if you wish and you will get the same (amount)".

One worker told the Investigator the following: "when I asked the person who gave me the documents why it said resignation, a man from Human Resources informed that it was better this way, because if not they wouldn't find a job, and since I didn't want to sign, they said it again: let me tell you something, or sign or you won't get anything. If you go to the Ministry of Labor, you will lose more because you have to get (hire) a lawyer", then I decided to sign because if I didn't, I wouldn't get the check."

The General Labor Director arrived at the Factory at the request of FEASIES. She told the Investigator that she and her team confirmed that in the beginning workers were not being provided with the Proof of Employment, that they were signing a statement of RESIGNATION even though it was a dismissal, that they were not provided a copy of the settlement. After discussing with the company lawyer and some notaries present on site, she requested they change the wording on the document which they did not do, she requested they provide a copy of the document and that they provide Proof of Employment with Time of Service,

indicating the reason for the termination²⁰. Likewise, this official was present when the lawyer for the company expressed that if workers did not sign the resignation documents, they would go to the courts. At the same time, the lawyer told workers to sign if they wanted to work for the company again - referring to other HBI plants- to sign up on a register to that effect.

In the opinion of the Investigator, the characterization of the unilateral employment contract termination as a resignation was incorrect - in other words: a dismissal- which should have been documented and recorded as such. The legal consequences of a resignation are different from a dismissal, which could result in detriment for the workers, who unknowingly agreed to sign, influenced by the notaries and allowed by Factory Management.

Likewise, having signed the "irrevocable resignations" had other implications since those workers who had credits in the financial system were not eligible for unemployment insurance, since this applies only in the case of unjustified dismissal. Some workers told the investigator that they had to go to the factory again to request a certificate stating that they were fired and the reason, but it caused them a lot of difficulty.

The investigator has observed this practice on various occasions and would therefore like to point out that these types of actions are contrary to the law and the employer should refrain from promoting or allowing them.

d) Method for calculating payment.

ER. 15.4 "Upon termination, severance shall be based upon the worker's current salary and seniority as calculated from the initial date of hire".

²⁰ Art. 60 of the Labor Code establishes the obligation to provide a record to all workers whose labor contract has terminated, regardless of the cause.

ER.15.4.1 Establishes that “Where employers provide advance termination payouts as allowed by law, these amounts may be subtracted from the final severance payment but must be included as itemized deductions in the final severance calculation”.

Since the Factory started operations (in 2008), it has paid severance annually, as if it were a dismissal, even though the employment contract remains valid, and the employment relationship is not interrupted. In these cases, a type of “simulated” dismissal occurs, but the actual dismissal does not occur.

In order to verify if the Factory complied with these benchmarks, a request to Management was made for a list of the terminated workers indicating hiring date, date of last severance payment, last salary and **amount of the severance payment received on the date of termination - November 17-** detailing the proportional payment of vacation and Christmas bonus and the deductions for contributions to Social Security, AFP (pension) and others.

From the review of payments made, the following was found:

1. In all cases the calculation of the severance payouts were based on the last salary.
2. There was no irregularity found in the calculation of the proportional vacation and Christmas bonus payment.
3. The deductions for contributions to Social Security and AFP were carried out in accordance with the law, payment records to the corresponding institutions were reviewed and no irregularities were found.
4. The 26 currently pregnant women or in their postpartum period received their severance calculated to the date on which their legal protection period would end (maternity protection) and 100% of their wages were paid through that date.

However, there is one aspect that should be pointed out. For the pregnant women or those in their postpartum period, because their salaries were paid in advance through the end of their maternity protection, the Factory withheld income tax. In this case, if workers had received their salary month to month, it would not have been subject to tax withholding since the monthly amount is less than the minimum level established for income tax payment²¹. Two workers in this group that were interviewed stated they did not understand why they had the deduction applied since they had never paid income tax before, and it was not explained to them.

Table: Amount withheld for Income Tax to pregnant workers and workers with postpartum maternity protection

No	End Date of maternity protection	Advanced wages (\$)	Tax withheld (\$)
1	4/2/25	5316.16	1321.15
2	12/4/24	1824	280.31
3	13/4/24	2068.56	359.43
4	13/11/24	4392	1046.12
5	7/1/25	5186.72	1283.58
6	12/10/24	4141.6	972.8
7	4/5/25	6585.12	1715.96
8	29/9/24	3800.64	862.49
9	23/3/24	1584	228.96
10	3/1/25	5104.08	1258.84
11	28/1/24	924	97.81
12	18/1/25	5218.56	1299.44
13	16/4/25	6448	1671.66
14	7/10/24	4158.56	977.67
15	4/10/24	4120.64	973.9
16	1/3/25	5650.08	1421.13
17	19/12/24	4952.64	1213.73
18	3/11/24	4243.52	999.3

²¹ Attached is the table of Income tax withholding published by the Ministry of Finance.

19	7/11/24	7291.44	1903.2
20	8/3/25	5733.52	1445.81
21	15/2/25	5704	1432.89
22	16/2/25	5495.12	1374.64
23	26/2/25	5840.4	1474.88
24	8/2/25	5446	1357.67
25	9/12/23	332.64	19.79
26	23/12/23	485.44	33.97

5. The date considered by the Factory to calculate the severance for termination was starting on the last payment date of “seniority” made to each worker as an advance. Only in the cases of 146 workers, the calculation was considered based on the entire time since hiring, this is because they had not yet received any advance of severance payment, since they were the most recent hires.

Management maintained that this way of calculating severance is in accordance with Salvadoran law, since they annually pay seniority and therefore only include the last period worked, they also stated that the Ministry of Labor was present at the request of FEASIES and confirmed its legality.

The representative from the Ministry of Labor and Social Welfare stated that when payments were verified, they did note some inconsistencies but later confirmed that they were correct because their previous seniority had been paid in prior years.

FLA Workplace Compliance Benchmarks ER. 15.4 and ER. 15.5 state that at the time of termination, severance should be calculated based on the current salary and the date of initial hiring, but it is not limited to this. It also foresees the assumption that the employer has the practice of providing the advance payment of the same, pointing out expressly the manner in which it should be carried out. In this sense, it states with absolute clarity that these advanced amounts must be deducted from the final payment and adds that they must be included as an itemized deduction in the calculation of the final indemnity.

None of this was fulfilled in the case being investigated. The calculation was not carried out based on the date of initial hiring, except for the 146 workers pointed out earlier; therefore, the settlement document only included the last amount received without listing the amounts that had been received in advance.

Calculation of severance based on initial hiring date:

With the information provided, calculations were made for severance corresponding to all terminated workers, based on their last salary and the initial hiring date. The following table details the ranges of total amounts to which they would be entitled based on seniority:

Range of years of service	Number of workers	Range of amount of total severance payment
15 - 15.5	18	\$ 5,483.00 - \$ 7,557.00
14 - 15	65	\$ 5,129.62 - \$ 6,991.36
13 - 14	24	\$ 4,842.76 - \$ 4,998.41
12 - 13	8	\$ 4,701.24 - \$ 4,868.24
11 - 12	14	\$ 4,090.86 - \$ 4,395.88
10 - 11	24	\$ 4,178.63 - \$ 4,585.48
9 - 10	33	\$ 3,390.02 - \$ 3,863.70
8 - 9	27	\$ 2,917.45 - \$ 3,641.36
7 - 8	34	\$ 2,605.30 - \$ 2,918.22
6 - 7	29	\$ 2,303.33 - \$ 2,620.03
5 - 6	36	\$ 1,814.46 - \$ 2,125.75

4 - 5	50	\$ 1,465.18 - \$ 1,769.00
3 - 4	39	\$1,176.60 - \$ 1,479.95
2 - 3	86	\$ 751.97 - \$ 1,061.56
1 - 2	65	\$ 391.70 - \$ 654.15
0 - 1	143	\$ 180.07 - \$ 306.00

However, the information provided by Management was not enough to determine the amounts owed to each terminated worker; it only covered a small group of workers.

The Investigator repeatedly requested from Management the record of prepayment of severance, disbursed to each worker during their employment; however, as pointed out in the limitations of the investigation, Management did not provide it. Management did not allow access to the payroll information system and didn't provide evidence of the reasons given to deny access. This information is still vital to determine the exact amount that each worker received in advance and deducted from the final amount calculated based on initial hiring date; it is the only way to determine the amount owed.

Despite the Investigator's request for employee files for all terminated workers²², Management refused to provide the mentioned records. Management provided various reasons for the delay providing them and at the end of the three days of the visit, they had only provided 39 files. After performing the calculation and deducting the amounts received for "seniority" during their employment, it was determined that 22 workers had a balance in their favor; the Factory owes them a certain amount for severance due to termination. It was ascertained that as the work years increase, so does the balance in favor of the workers. Workers with less than four years of service did not have balances in their favor.

Table: Calculation of severance based on initial hire date (seniority) with the deduction of applied advances:

No	Last salary	Years worked	Total days	Total amount calculated since hiring date	Total received of advance payment for seniority	Difference	Period for which no proof of payment of seniority was found ²³
1	\$ 365.00	14.73	5378	\$ 5,378.00	\$ 4,161.80	\$ 1,216.20	2010
2	\$ 391.77	14.6	5329	\$ 5,719.84	\$ 5,044.94	\$ 674.90	2012
3	\$ 369.87	13.70	5002	\$ 5,068.74	\$ 4,270.27	\$ 798.47	
4	\$ 372.30	12.56	4583	\$ 4,674.66	\$ 3,539.28	\$ 1,135.38	2012
5	\$ 384.47	10.72	3911	\$ 4,119.62	\$ 3,553.23	\$ 566.39	2018
6	\$ 372.30	8.49	3099	\$ 3,160.98	\$ 2,823.74	\$ 337.24	
7	\$ 362.57	7.70	2812	\$ 2,793.28	\$ 2,585.17	\$ 208.11	2018
8	\$ 362.57	7.10	2592	\$ 2,574.74	\$ 2,316.11	\$ 258.63	
9	\$ 369.87	6.48	2364	\$ 2,395.54	\$ 1,905.20	\$ 490.34	2018
10	\$ 369.87	5.67	2070	\$ 2,097.62	\$ 2,012.03	\$ 85.59	
11	\$ 391.77	5.57	2035	\$ 2,184.25	\$ 1,635.43	\$ 548.82	
12	\$ 374.73	5.58	2035	\$ 2,089.25	\$ 1,913.10	\$ 176.15	
13	\$ 369.87	5.54	2021	\$ 2,047.97	\$ 1,871.61	\$ 176.36	
14	\$ 369.87	5.35	1951	\$ 1,977.03	\$ 1,911.50	\$ 65.53	
15	\$ 369.87	5.15	1881	\$ 1,906.10	\$ 1,912.86	-\$ 6.76	
16	\$ 372.30	4.65	1699	\$ 1,732.98	\$ 1,671.98	\$ 61.00	
17	\$ 360.13	4.65	1685	\$ 1,676.33	\$ 1,579.32	\$ 97.01	
18	\$ 379.60	4.62	1614	\$ 1,752.40	\$ 1,651.02	\$ 101.38	
19	\$ 365.00	4.42	1601	\$ 1,614.00	\$ 1,591.50	\$ 22.50	
20	\$ 379.60	4.39	1552	\$ 1,665.04	\$ 1,640.33	\$ 24.71	
21	\$ 367.43	4.25	1441	\$ 1,562.33	\$ 1,609.77	-\$ 47.44	
22	\$ 367.43	3.95	880	\$ 1,450.59	\$ 1,470.05	-\$ 19.46	
23	\$ 365.00	2.41	747	\$ 880.00	\$ 938.95	-\$ 58.95	
24	\$ 372.30	2.05	656	\$ 761.94	\$ 758.30	\$ 3.64	
25	\$ 379.60	1.80	593	\$ 682.24	\$ 695.80	-\$ 13.56	

²² Management was notified one day prior to the visit to have Employee Files for terminated workers available.

²³ These payment records were requested to Management but were not provided.

26	\$ 379.60	1.62	579	\$ 616.72	\$ 626.10	-\$ 9.38	
27	\$ 360.13	1.59	495	\$ 571.27	\$ 570.29	\$ 0.98	
28	\$ 360.13	1.36	397	\$ 488.40	\$ 559.93	-\$ 71.53	
29	\$ 360.13	1.09	271	\$ 391.70	\$ 386.40	\$ 5.30	
30	\$ 362.57	0.74	215	\$ 269.20	\$ 269.20	\$ 0.00	
31	\$ 362.57	0.59	166	\$ 213.57	\$ 213.57	\$ 0.00	
32	\$ 360.13	0.45	152	\$ 163.79	\$ 180.07	-\$ 16.28	
33	\$ 360.13	0.42	131	\$ 180.07	\$ 180.07	-\$ 0.00	
34	\$ 360.13	0.36	131	\$ 180.07	\$ 180.07	-\$ 0.00	
35	\$ 360.13	0.36	96	\$ 180.07	\$ 180.07	-\$ 0.00	
36	\$ 360.13	0.26	40	\$ 180.07	\$ 180.07	-\$ 0.00	
37	\$ 360.13	0.11	26	\$ 180.07	\$ 180.07	-\$ 0.00	
38	\$ 360.13	0.07	26	\$ 180.07	\$ 180.07	-\$ 0.00	
39	\$ 360.13	4.65	1699	\$ 1676.33	\$ 1,579.32	\$ 97.01	

4. Current status of the closure process

The union representatives for STIVES and SITRAIMES expressed \ Management had not consulted with them to explain to them about the Factory's situation and the closure process. Management, for its part, stated that they have only met with the union representatives when they have requested a meeting and that the last meeting was in April of last year.

a) Dismissal of workers after the middle of November 2023:

Management informed that there had been no more dismissals since November 17, 2023, to date, only voluntary resignations. When the corresponding information was requested, they provided a list of 134 workers that resigned between November 18 through the date of the visit.

During the interviews with active workers, they noted that many coworkers started to look for other work after they were informed that the Factory would close. But Management has changed this closure date several times, the latest information they received is that the total closure would be completed in June 2024. When these workers found new employment, they had to resign, and they lost all their severance payment because they received nothing. When consulted, Management argued that there is no severance for a resignation if they don't present the legally required 15 days' advance notice, and in other cases, they had not met the requirement of two years of employment and they are therefore not entitled to severance according to the law.

The workers maintain that the uncertainty of the Factory closure date has complicated planning their departure, since they expect that when they are dismissed upon the final Factory closure, the Factory will pay their severance. Many of them have over a year accumulated since the company stopped paying their seniority in October of last year, before the retrenchment. This means that all people who had an employment anniversary between October 2023 and the date of the on-site visit had not received the advanced payment of their seniority, and according to them, the Factory owes them over a year. The workers expressed that they did not want to lose their severance and that is why many are waiting until they are terminated, holding off on looking for other employment because if they find it, they will have to go and they will lose their time.

In order to corroborate the above, the Investigator reviewed a sample of 18 files for workers who had resigned and also interviewed a sample of them. The result was the following:

- Of the 18 workers, only 2 received the payment of the compensation for voluntary resignation, which is equivalent to the salary of 15 days for every year of service according to Article 8 of the Law Regulating the Economic Benefit for Voluntary Resignation²⁴.
- With respect to the other 16 workers, Management stated that they had not met the 2-year minimum time required by law and others did not present the legally required 15 days' advance notice. During the interview with a sample of these workers some stated that they did in fact resign without giving the required notice; the majority did it because they had found new employment. This was also confirmed in the exit interviews included in the files that 9 of them stated that the reason was because they found a new job. In other cases, it was determined that they had not met the two years of service. In addition, at least three of the interviewed workers stated that Human Resources did not provide them clear information about the process to resign and be entitled to the economic benefit for resignation. They told them to come back on one date or another and in the end told them that they would have to work another fifteen days in order to receive the compensation, but they were unable to do it. The Factory does not have any notice posted with instructions on how to proceed in order to be entitled to the economic benefit for voluntary resignation.
- The workers interviewed stated that many of them wanted to be transferred to the other HBI plant in San Juan Opico - known as "Socks" but were not given the opportunity. They were told that if they resigned, they would have to wait three months to apply for a job at another HBI factory and if they were dismissed, they could go on the following day to request a job, and they should apply like other people.
- The majority of the workers said that they resigned because they had no other choice and when they found another job had to resign and lose what the company owed them for seniority.
- All interviewed workers said that Human Resources did not want to provide them with Proof of Employment, even though they requested it nor were they provided a copy of the settlement they signed.
- The day their severance was provided (Salary, proportional amount of vacation and Christmas bonus), they were asked to write out a resignation letter that Human Resources had pre-written so that each worker's letter would be in their own handwriting.

The Investigator asked Management whether the closure scheduled for June is definitive. They expressed that there is no certainty, since they have been able to postpone the complete closure because they have had to fill the production requirement caused by the conflict in Haiti. However, it is uncertain if the conflict in Haiti continues, whether it is possible for the Factory can continue to operate and postpone the closure.

b) Change in the criteria for calculating severance for dismissal for workers terminated after the middle of November of 2023:

There have been no changes to the criteria used to calculate severance for terminations since there have been no dismissals and Management does not foresee making changes for future dismissals that result from the complete closure because they maintain they have complied with local law.

c) Determine compliance with all legal requirements during the process of the closure that may be associated with the payment of contributions to social security, pension funds and other legal benefits:

In the case of workers terminated as a result of the November 2023 retrenchment, the payment of the contributions to social security, pension funds and other legal benefits were carried out in accordance with the law.

In the case of workers who had resigned, a similar verification of the files was carried out and payments were disbursed in accordance with the law.

²⁴ Legislative Decree No 592, Official Gazette, No. 12, Vol. No. 402, dated January 21, 2014.

d) Adoption by HBI of additional measures to minimize the negative impact of the closure on the workers:

HBI has taken no additional measures to minimize the negative impact of the closure for workers at the Factory; this is demonstrated in the following way:

- Management has not considered relocating workers to other plants belonging to HBI. Management was clear in stating that workers who wish to work at other plants may go and apply to positions that are available, but that is an individual process, each worker must present the tests under the same conditions as the rest of the workers.
- Management maintained that workers who wish may look for employment at any other company, but they must request personal leave time. Workers stated that it is difficult for them because they must ask for personal time without pay. Many can't do this since they are currently earning the minimum wage and they can't afford the deduction if they go to look for a job. In addition, since there is no certainty of when the closure will be, as pointed out, if they find it, they would have to resign and lose payment for seniority.
- The workers expressed that many of them wish to leave because they are desperate. They live with the uncertainty of when the closure will be and also with the hope that their seniority will be paid again, since the Factory suspended payment since October of last year and if they resign, they don't receive anything. Because the Factory has recently announced that in the coming weeks, they will resume payment of seniority for workers entitled between October and February of the present year, some plan on resigning after that, as they have not done it so as to not lose the payment of their seniority.
- The workers have different versions about what they think will happen; some even said they think the plant will not close and they are just waiting for people to resign without the payment of their seniority. In fact, what it demonstrates is the lack of clear information for workers regarding the closure process. The workers did not get help to navigate through this difficult moment, and they feel more frustrated.
- Several interviewed people stated to the Investigator that they suffer from various illnesses, or are pregnant, they have not explained to them how their situation will be or what they can do to prepare and avoid complications with their treatments or medical procedures in the future, many of them don't know what to do, they feel hopeless and anguished. The Investigator also received a list prepared by hand by the workers, aided by the union representatives that added up to 43 people who claim to have chronic illness of various types and others who are pregnant (at least 8). This information could not be corroborated because Management refused to provide a list of workers with special conditions.
- The members of both union sectionals executive committees have not received a proposal from Management to maintain their employment due to enjoying the protection as union officers (*fuero sindical*).

Other findings

- Various workers expressed that due to the fact that many workers have left, they are being overloaded with more work, there is more pressure for those that have stayed, some supervisors even humiliate them when they are reprimanded. Some workers have been told to resign if they don't like working this way

IV. CONCLUSIONS

The gradual closure announced November 16, 2023 by *CONFECIONES EL PEDREGAL, S.A. DE C.V.* of the “El Salvador Sew” plant located in San Juan Opico in the department of La Libertad caused a negative impact on the workers, particularly on the workers affected by the retrenchment announced and executed on that same date that affected a total of 695 workers²⁵, including pregnant and lactating women, workers on medical leave or who require permanent medical assistance because they suffer chronic illnesses, workers in rehabilitation, among others.

Even though the Factory announced a gradual closure, after the personnel retrenchment carried out in November of last year, there have been no more dismissals and at the time of the investigation, the Factory continued to operate with approximately 744 workers.

In this case, they are considered as de facto terminations without just cause because it is attributable to the company for operational reasons, which means that it is “without fault” of the workers. Hence, the employer is obligated to pay an indemnity for dismissal in accordance with Art. 58 of the Labor Code.

Consequently, and after examining the facts, the Investigator considers that the Factory violated Salvadoran legislation as well as the FLA Workplace Compliance Benchmarks, specifically the following aspects:

- ◇ By failing to cooperate in providing the Investigator access to essential information to determine compliance with the FLA Code of Conduct, the Factory violated the FLA Workplace Compliance Benchmarks ER 1.1, ER 19.1 and ER19.1.1
- ◇ The Factory did not comply with its obligation for prior communication and consultation with worker representatives, therefore violating FLA Workplace Compliance Benchmark ER. 16.2.
- ◇ The Factory did not prepare a plan that included measures to mitigate the negative effects of the terminations on workers since it was sudden and immediate and without a reasonable time to carry out consultation, nor were appropriate or effective channels established for workers to present questions or provide feedback, therefore violating FLA Workplace Compliance Benchmark ER. 16.4. No measures were taken for vulnerable special groups such as pregnancy, health issues, workers in rehabilitation, etc., consequently violating other benchmarks regarding these special categories of workers, including pregnancy (ER.2), protection of pregnant women against discriminatory termination (ND.2), obligation to guarantee measures of safety and health of pregnant women and their unborn children (ND.8 and ND.8.1.1.)
- ◇ The Factory did not establish as a measure, the relocation or transfer of workers to other plants in the Company, neither did they offer priority to be hired in the future, violating FLA Workplace Compliance Benchmark ER. 16.5.
- ◇ The Factory by not having a written procedure that outlines the step-by-step procedure to be followed in case of retrenchment or closure, it does not comply with the parameters established by the FLA Compliance Benchmark regarding Employment Relationship ER.1.1.
- ◇ Management did not establish effective communication channels so that workers could confidentially express their concerns relating to the dismissal or their payments, therefore the Factory violated FLA Workplace Compliance Benchmark ER.15.2.
- ◇ The Factory violated FLA Workplace Compliance Benchmark ER. 15.3 when they made workers sign a “voluntary resignation” document, a statement that was not true, because they had been dismissed, and in

²⁵ Although initially Management provided a list of 694 terminated workers, during the review of files one additional worker was found which was not included in the list, making the total 695.

addition, it included a statement of release of liability as a condition to receive severance and other legal benefits.

- ◇ The Factory did not observe Art. 113 of the El Salvador Labor Code at the time of selecting for termination 26 women, some currently pregnant and other in their postpartum period within the period of legal protection of maternity, during which they could not be terminated, also violating their right to social protection and that of their children. The protection covers them from pregnancy up until six months after maternity leave is finalized, The Factory paid those salaries in advance, withholding the corresponding income tax. In addition, HBI did not comply with FLA benchmarks ND.6.2, ND.8 and ND.8.1, fundamentally because the factory continued operating up to the date of this report.
- ◇ The Factory violated Art. 30 Paragraph 17 and Art. 308-A of the Labor Code which prohibits the termination of all workers with chronic illnesses. In addition to violating local law, HBI violated FLA benchmark ER. 9, since as a member of the FLA, it should have respected the regulations that especially protect these workers in vulnerable conditions.
- ◇ The Factory did not carry out the calculation of severance based on what is established in Art. 58 of the Labor Code and the FLA Workplace Compliance Benchmarks ER. 15.4, ER. 15.4.1 and ER. 15.5, except in the cases of workers who had not received any advanced payment as pointed out in this report.
- ◇ No irregularities were found in the payments of the contributions to Social Security and AFP as well as other legal deductions.
- ◇ The Factory continues to violate FLA Workplace Compliance Benchmarks ER. 1.1, ER.15.2, ER.16.2, ER.16.4 and ER.16.5, since it is not communicating or consulting with worker representatives regarding the closure. They have not posted or clearly communicated the closure plan, they have not prepared a plan that includes measures to minimize the negative effects of the closure -and imminent termination- on workers and their communities, it has not established effective communication channels to deal with the worker's concerns, including the payment they will receive, there is no relocation plan for workers at other Company plants nor benefit of priority in hiring, and the Factory continues to lack a written procedure to establish a step by step procedure to follow in case of retrenchment and/or closure.

V. RECOMMENDATIONS FOR REMEDIATION

Based on the investigation results, the Investigator provides the following recommendations for remediation:

- 1) Suspend any public invitation for new hires at other owned plants, specifically the 2 plants located in San Juan Opico, known as “HBI Textiles” and “El Salvador Socks” and take actions to rehire dismissed workers to fill those vacancies, -in positions comparable to those occupied by the dismissed workers or in positions that do not require experience or special knowledge and skills other than those required in El Salvador Sew- prioritizing -urgently- workers from special categories such as:
 - a. Women with Maternity protection,
 - b. Workers with chronic illnesses,
 - c. Workers with a disability and other similar.
- 2) Regarding the amount withheld for Income Tax to women with Maternity Protection who were terminated, HBI should assist each of them with the Ministry of Finance for their respective returns and refund the amounts that are not refunded by this entity.
- 3) In the case of workers who have been or will be rehired in the future in other plants owned by HBI, their previous file and the new one must remain integrated, in order to be able to follow up on said workers in other investigations and/or verification processes and that your history is not unlinked.
- 4) All terminated workers be paid the balance in their favor that results from the deduction of the prepaid advances of severance from the total indemnity for dismissal based on the initial hiring date. HBI must undertake all logistics and costs associated with this process.
- 5) In the future, when a termination occurs, calculate the severance payment for termination based on the initial hiring date and from that total amount, the prepaid amounts paid annually in concept of severance must be deducted.
- 6) Keep records of all payments disbursed in concept of severance to all workers at the Factory during the employment time and have them available for future investigations or audits.
- 7) HBI must ensure that Factory Management engages in a transparent and good faith dialogue with the union organizations present there (STIVES and SITRAIMES), to inform and consult their representatives: the closure plan in a clear and transparent manner, including measures to mitigate the negative effects of layoffs within the framework of the closure, including measures for workers in special categories, documents that workers must sign, among others. This despite HBI’s official position of not recognizing these unions as legitimate counterparts for consultation of critical business decisions because the “low” representativity of the Factory workforce and therefore, they enjoy the rights granted to them by ratified international treaties by El Salvador (ILO Conventions Nos. 87, 98, 135 and 154) - among others - and local legislation.
- 8) Discuss and evaluate jointly with union representatives with a presence in the Factory and FEASIES, their situation in light of the closure of the El Salvador Sew plant, for example, discuss the possibility of relocating them to other self-owned plants in the zone, among other measures.
- 9) Before the final plant closure occurs for the El Salvador Sew plant, prepare a plan with measures to mitigate or reduce the negative impact of the closure on workers, including:
 - a. *Granting time off to workers who request it to look for work without loss of salary.*
 - b. *Allow workers that no longer desire to continue at the Factory, to resign without requiring them to meet seniority and prior notice requirements for the payment of the economic benefit or even full payment of the indemnity corresponding to cases of dismissals.*
 - c. *Pay the benefit of voluntary resignation to those workers who resigned after November 17 to the present date.*

- d. Transfer or relocation to other Company plants for workers who request it, giving priority to workers with special conditions of vulnerability like pregnant women, on maternity leave or nursing, people with chronic illnesses, people undergoing medical treatment, in rehabilitation, people with disabilities and older people or with the most seniority at the Factory. Management must guarantee clear and transparent records regarding these categories of workers.*
 - e. Offer training to workers who want it, in various operations that will allow them to widen their abilities and improve their opportunity to find other jobs.*
- 10) Post the closure plan in visible areas of the Factory which include all aspects that affect workers in order for them to have clarity and certainty of the process status.
- 11) Establish effective communication channels for workers who are currently employed at the Factory to receive clear and timely information about the various concerns and doubts arising from the announced closure.
- 12) Ensure that workers are not required to sign a false RESIGNATION declaration -before a notary-, when in fact it is a “dismissal”, which occurs when the employer ends the employment contract by its own unilateral decision, which is what has occurred in this case.
- 13) Refrain from establishing as a condition to receive severance payment, that workers sign notarized settlements that release the company from any responsibility as a result of the labor relationship. The workers are only required to sign a receipt as proof of payment, but they are not obligated to extend a waiver. If after receiving payment, the worker freely accepts to do it, they must be provided with a copy and this settlement must contain a detail of the amounts received and the corresponding concept.
- 14) When dismissals occur due to causes not attributed to the worker, provide workers with Proof of Employment that indicates start and end date of employment, position held, last salary earned, and that contract termination was due to retrenchment and/or closure. They should also provide a recommendation to help them find other employment. This recommendation should be applied to those workers laid off on November 17, 2023.
- 15) Develop a plan, together with the union organizations with a presence in the Factory (STIVES/SITRAIMES and FEASIES) to comply with these recommendations. The Investigator recognizes that the Factory management recognizes the union sectional representatives from STIVES and SITRAIMES, but the management has determined that they are not fully recognized as a union in the factory because they do not have sufficient representation.
- 16) Develop a procedure that includes all aspects relative to contract termination due to retrenchment and/or plant closures and guarantee effective communication and consultation with worker representatives.
- 17) The Factory management team should receive specialized training on freedom of association. HBI's position on union organizations with a presence in the factory and the lack of understanding of their right to participate and be consulted in decisions such as the one that gave rise to this investigation, indicates the need to receive training from an expert in the matter. This could help Factory Management better comply with FLA's Freedom of Association Benchmarks.
- 18) Publish a statement which highlights its commitment to guarantee a workplace free from violence, harassment and that any act of this nature will be sanctioned, setting up a confidential line to file a complaint.
- 19) Ensure that no Factory worker, including union representatives, become victims of reprisals by any Factory personnel, as a result of their participation, either directly or indirectly, in the process of this investigation.

ATTACHMENTS

- PUBLICATIONS ON CAMTEX FACEBOOK PAGE:



HANESBrands Inc
JOB FAIR
PRODUCTION OPERATORS
Come this
FRIDAY, NOVEMBER 10 2023
7:00 am
Opportunities in all areas
To start in January 2024
Km. 34 Highway to San Juan Opico
Socks Bus Stop/ Bring your DUI



HANESBrands Inc
JOB FAIR SATURDAY
El Pedregal, El Rosario
Come this
SATURDAY, NOVEMBER 18, 2023
7:00 am
SEWING OPERATORS
WITH OR WITHOUT EXPERIENCE
El Pedregal Industrial Park
Calle El Pedregal, El Rosario, La Paz

HANES Brands Inc
FERIA DE EMPLEO
OPERARIOS DE PRODUCCION
Con o sin experiencia
 Para ti , que no puedes venir
 día de Semana
PRESENTATE ESTE
Sabado 03 de Febrero 2024
7:00 am
 KM. 46.5 carretera a La Herradura
 Zona Franca el pedregal, El Rosario, La Paz
 No Olvides traer tu DUI



CONFECCIONES EL PEDREGAL – CONFECCIONES JIBOA

¡TRABAJA CON NOSOTROS!

ESTAMOS CONTRATANDO:

SIN EXPERIENCIA:

- Auxiliares de bodega
- Auditores de calidad
- Auxiliares de mantenimiento

Requisito: Bachillerato completo.

CON EXPERIENCIA:

- Mecánicos de Costura
- Auxiliares de mecánicos

Requisito: Experiencia y bachillerato.

Jueves, 8 de febrero – 7:00 am

Lugar: portón peatonal de Zona Franca El Pedregal,
 El Rosario, La Paz.

HANES Brands Inc

HANESBrands Inc
 JOB FAIR
 PRODUCTION OPERATORS
 With or without experience
 For you, if you can't come
 on a weekday
 Come this
 Saturday February 03, 2024
 7:00 am
 KM. 46.5 Highway to La Herradura
 El Pedregal Free Trade Zone, El Rosario, La Paz
 Don't Forget to bring your DUI

CONFECCIONES EL PEDREGAL - CONFECCIONES JIBOA

WORK WITH US!

WE ARE HIRING:

WITHOUT EXPERIENCE:

- Warehouse assistant
 - Quality assistant
 - Maintenance assistant
- Requirement: High school graduate

WITH EXPERIENCE:

- Sewing Machine Mechanic
 - Mechanic Assistant
- Requirement: Experience and High school graduate

Thursday, February 8 - 7:00 am

Place: Pedestrian gate of the El Pedregal Free Trade Zone

HANESBrands Inc

HANESBrands Inc
FERIA DE EMPLEO
OPERARIOS DE PRODUCCION

Auxiliares de línea de producción
Mecánicos de Costura
Entrenadores de costura

PRESENTATE ESTE
Lunes 26 de Febrero 2024
7:00 am

KM. 46.5 carretera a La Herradura
 Zona Franca el pedregal, El Rosario, La Paz

No Olvides traer tu DUI



HANESBrands Inc
 JOB FAIR
 PRODUCTION OPERATOR
 Production line assistant
 Sewing Machining
 Sewing Instructors

COME THIS
 MONDAY FEBRUARY 26, 2024
 7:00 am
 KM. 46.5 Highway to La Herradura
 El Pedregal Free Trade Zone, El Rosario, La Paz

Don't Forget to bring your DUI

HANESBrands Inc
FERIA DE EMPLEO
OPERARIOS DE PRODUCCION

Y
Mecánicos de Costura

PRESENTATE ESTE
Miercoles 28 de Febrero
7:00 am

KM. 46.5 carretera a La Herradura
 Zona Franca el pedregal, **El Rosario, La Paz**

No Olvides traer tu DUI



HANESBrands Inc
 JOB FAIR
 PRODUCTION OPERATORS
 And
 Sewing Machine Mechanics

COME THIS
 Wednesday, February 28
 7:00 am

KM. 46.5 Highway to La Herradura
 El Pedregal Free Trade Zone, El Rosario, La Paz

Don't Forget to bring your DUI



HANES *Brands Inc*

¡SÉ PARTE DE NOSOTROS!

GRAN JORNADA DE RECLUTAMIENTO
DEL 4/MARZO AL 8/MARZO 2024



**OPERARIO DE COSTURA
CON Y SIN EXPERIENCIA**

- KM. 46.5 carretera a La Herradura , Zona Franca el pedregal, El Rosario, La Paz
- de Lun-Vie a las 7:00 am.
- No olvides traer tu DUI

TE ESTAMOS ESPERANDO, ZONA FRANCA EL PEDREGAL

HANESBRANDS INC

BE A PART OF US!

GREAT RECRUITMENT EVENT
FROM MARCH 4 TO MARCH 8 2024

SEWING OPERATORS
WITH OR WITHOUT EXPERIENCE

- KM. 46.5 Highway to La Herradura, El Pedregal Free Trade Zone, El Rosario, La Paz
- From Mon-Fri at 7:00 am
- Don't forget to bring your DUI

WE ARE WAITING OR YOU, EL PEDREGAL FREE TRADE ZONE