



2022
IN REVIEW

THE AMERICAS GROUP

JUNE 2023

TO: Americas Group (AG)

FROM: AG Coordinating Committee¹

In 2022, as the world began to emerge from the emergency phase of the COVID-19 pandemic, the Americas Group gradually returned to holding in-person (hybrid) meetings and dialogue sessions with labour partners. These included a two-day meeting of the Mexico Committee in Mexico City, a Honduras Working Group meeting in San Pedro Sula, a two-day meeting and company-labour dialogue session in San Salvador, and a ½ day meeting of the full AG Central America Committee in Washington D.C.

In both El Salvador and Mexico, the focus of our work throughout the year was on developing policies and strategies to better ensure respect for workers' right to freedom of association (FOA) and to bargain collectively. The Mexico Committee discussions also addressed other endemic non-compliance issues in the sector, including wage violations and gender-based violence and harassment at work. Central America Committee meetings also reviewed the status of a proposed long-overdue workplace childcare legislation implementation requirements, and emerging priority concerns for companies and workers, including layoffs, factory closures and severance pay in both El Salvador and Honduras. In addition to continuing its focus on El Salvador, the Central America Committee now includes country working groups on Honduras and Guatemala.

This report includes a summary of the Mexico and Central America committees' work in 2022 as well as initial work in and plans for 2023. We delayed finalizing it until both committees had reconvened in 2023 – the Central America Committee in late March and the Mexico Committee in April. Both have set full program plans for this year. The report concludes with a summary of our 2022 finances. A detailed financial report will be shared separately.

While the threat of COVID infection has subsided, the current economic situation facing companies and workers in the sector has placed some limits on the effectiveness of our work. In spite of these difficult circumstances, we are proud of what we have achieved in 2022. Thanks to all of you who contributed to the important work of the Americas Group throughout 2022, including two new members, Carhartt and Bella+Canvas.

¹ The Americas Group Coordinating Committee (CC) includes Remy Arguello and Julian Vargas, adidas; Natalie Gigg, Gap; Holdy Hernandez, LS&Co.; Rolando Grillo, New Balance; and Lynda Yanz, Maquila Solidarity Network.

MEXICO COMMITTEE²

Throughout 2022, the Mexico Committee continued to assess progress in the implementation of Mexico's labour justice reform and to promote compliance with employers' new legal obligations under the reform.

The Committee convened four meetings over the year – three online sessions, in May, June and December, and a 1½-day in-person/hybrid session mid-September. The latter was the first in-person convening since November 2019.

A major focus of discussions was what employers should and should not do in the countdown to the deadline for CBA legitimation votes, and the anticipated new reality after May 1, 2023.

In May 2022, the Mexico Committee adopted a revised FOA Employer Guidance and Model FOA Policy to include new legal obligations of employers under the reform. At that meeting, company participants reviewed, edited, and agreed to complete a Baseline Survey to track progress by suppliers on complying with those new legal requirements.

In June, MSN presented a draft document laying out a series of Do's and Don'ts to guide company participants' briefings to employers in preparation for the May 1, 2023 CBA legitimation deadline. The meeting also included a review of common wage violation issues.

The September hybrid meeting included updates on labour reform developments since June, companies' reporting on the baseline survey results, and a review of an updated 'Do's and Don'ts' FOA presentation based on new regulations. The Committee also hosted a roundtable discussion on the status of the labour reform, as well as obligations under the labour reform regarding gender-based violence and harassment at the workplace. Resource people included Mexican labour lawyer and labour rights expert Arturo Alcalde; labour and women's rights activist, Inés González of the *Red de Mujeres Sindicalistas* (Network of Women Trade Unionists); and US Labor Attaché Pablo Solorio.

On its December 8 year-end call, the Committee agreed to a 2023 work plan. The priority focus of work in 2023 will continue to be the labour justice reform and freedom of association, with special attention to both the lead up to and follow-up after completion of the CBA legitimation process. That program will include:

- Internal education, monitoring, and further verification of factory compliance with employer requirements under the labour reform;
- An updated Mexico Committee Employer FOA Guidance;
- One or two briefing(s) for suppliers on their obligations under the reform – in person, hybrid or remote; and
- Outreach to other international brands, as well as relevant Mexican employer associations.

² Participating companies/organizations in the Mexico Committee as of April 2023 were: adidas, Carhartt, C&A, Dick's Sporting Goods, Fanatics, Fruit of the Loom, Gap, Gildan, Levi's, New Balance, Nike, Patagonia, PopSockets, Puma, PVH Corporation, Under Armour, VF Corporation, the Fair Labor Association and Maquila Solidarity Network (MSN). In 2022, the Mexico Committee Coordinating Committee included Nike; adidas; New Balance, and MSN. New Balance resigned from the CC in September while continuing to be active in the Mexico Committee.

NOW IN 2023

The Mexico Committee is advancing on its 2023 work plan. Thus far, the Committee has had two meetings, a virtual session in early March (split over 2 days) and a successful in-person (hybrid) 1 ½ day meeting at the end of April. The focus of the in-person meeting was the likely results and implications of the 'May 1' deadline for the legitimization of all existing collective bargaining agreements (CBAs), after which it is anticipated that the majority of CBAs which existed in Mexico prior to November 2019 will have been terminated.³

The Committee's current priority is monitoring the outcomes of the legitimization process and verifying whether suppliers are complying with their legal obligation to continue to provide workers all the rights and benefits that were in the CBA before termination, beyond what is required by law.

The Committee is also moving forward with plans to hold an in-person briefing workshop for suppliers on employer obligations and workers' rights under the labour reform in the fall of 2023.⁴

In advance of the supplier training, the Committee will be updating its Employer Guidance on Freedom of Association and Model FOA Policy for presentation to suppliers, which will take into account the new post-CBA legitimization context in which it is anticipated that the majority of Collective Bargaining Agreements that existed prior to the reform will have been terminated.

Although the Committee will be giving less priority in 2023 to the issue of how to address systemic wage violations in Mexico, we will continue to share information on our findings and efforts to address emerging issues, such as vacation rights, changes in the minimum wage, and profit-sharing bonuses. The Committee will also continue discussions on how to best address gender-based violence and harassment in the workplace as per Mexico's obligations under the labour justice reform and ILO Convention 190.

³ In April, Mexico's labour authorities extended the May 1, 2023 deadline for legitimization votes to be carried out. While unions had to register their intention to hold a vote by May 1, the deadline for votes to take place was changed to July 31.

⁴ In April, VF Corporation sponsored, in collaboration with MSN, a webinar for suppliers on the CBA legitimization process. Over 100 HR and other management staff participated. Participants included other Mexico Committee companies and management personnel from some of their supplier factories.



CENTRAL AMERICA COMMITTEE⁵

Freedom of Association in El Salvador continued to be the major focus of the Committee's work over 2022, and two country working groups were set up to explore possible work for 2023 in Honduras and Guatemala, with the priority on re-engagement with labour partners in Honduras.

The AG CA committee convened three full committee meetings in 2022 – a June 2 online meeting and two hybrid meetings, the first in El Salvador in early October in which we reengaged in face-to-face dialogue with our long-term in-country labour partners FEASIES and ORMUSA,⁶ and the second in Washington DC on October 26.

The economic and political context in the region and its impact on our work was a reference at every meeting, including closing of democratic space for civil society organizations and independent journalism. Brands and labour rights groups regularly reported in on the impacts of the global economic recession on the garment industry and workers in Central America, including reductions in orders and resulting temporary layoffs and factory closures, particularly in El Salvador and Honduras.

EL SALVADOR: Advancing on Preparation of an Employer Guidance on FOA

Following our agreement in late 2021 to develop an employer guidance on Freedom of Association, the FOA Working Group's priorities shifted to focus on the preparation of a country-specific employer's guide on ensuring respect for freedom of association, an initial draft of which was circulated by mid-year.

The *Guidance*, entitled *Ensuring Respect for Freedom of Association (FOA) in El Salvador* provides employers with greater clarity on the Committee's expectations regarding policies that should be adopted, and actions that should be taken, as well as prohibited, to ensure respect for workers' right to freedom of association and collective bargaining in the workplace.

⁵ As of April 2023, the AG Central America Committee includes adidas, Bella+Canvas, Carhartt, Dick's Sporting Goods, Fanatics, Fruit of the Loom, Gap, Gildan Activewear, Levi Strauss & Company, New Balance, Nike, Patagonia, PUMA, PVH Corporation, Under Armour, VF Corporation, the Fair Labor Association (FLA), and the Maquila Solidarity Network (MSN). The CA Committee Coordinating Committee includes adidas, Fanatics, Fruit of the Loom, the Fair Labor Association and MSN. VF resigned from the CC in October, but continues as an active member of the Central America Committee and El Salvador FOA Working Group.

⁶ FEASIES is the union federation with the largest number of unions in the garment sector; ORMUSA is the most recognized women's organization working in the sector. At our October labour dialogue, both reported that since the election of the current president, opportunities for advocacy on implementation of national legislation on workplace childcare and new obligations for employers and governments following El Salvador's ratification of Convention 190 on sexual harassment and gender-based violence in the world of work have been severely limited. Both issues were major focuses of our collaborative work in previous years.



In addition to receiving detailed input from members of the Central America Committee, key international and El Salvador labour stakeholders provided feedback on a later draft. This extensive review process was essential to securing buy-in on commitments and a process that will shift the discussion on freedom of association in a country where resistance to respecting freedom of association remains endemic. A final version of the Guidance will be circulated by early summer and will be reviewed by the full Committee at a July 2023 workshop in San Salvador, at which point we anticipate achieving agreement on what brands should do individually and collaboratively to implement the Guidance document.

This work was coordinated by the El Salvador FOA Working Group, which in 2022 included Adidas, Fruit of the Loom, Puma, Under Armour, VF, the FLA and MSN. The Working Group worked closely with two independent legal and labour rights experts – Francisco Chicas and Ena Nuñez O'Brien.

HONDURAS

The Honduras Working Group, which includes FOTL, Fanatics, Gildan, Hanes, Tegra, and MSN, held two meetings in Honduras in 2022 -- the first in San Pedro Sula on March 31, and the second on August 26 together with representatives of the Maquila Union Network of Honduras (RSM-H). The main concerns discussed with the RSM-H included the US economic situation and its impact on apparel orders and the implications, including temporary and permanent layoffs and factory closures. RSM-H reaffirmed the AG as an important reference for them and requested that the AG consider holding two dialogue meetings annually, with the agenda being agreed to jointly, and perhaps to include additional stakeholders. The Working Group agreed and brought this proposal to the October meeting of the full Central America Committee.

GUATEMALA

On its June 2 planning call, the Central America Committee agreed to a request from four brands (Gap, Fanatics, Puma, and VF) and MSN to explore the viability of a modest Americas Group Guatemala-related program, given the endemic labour rights violation challenges that brands, and labour groups were facing in their factory-based work in Guatemala. The working group had four calls over the year, including one with the Central America director of the Solidarity Center, based in Guatemala. The Solidarity Center has been supporting six new factory-based unions formed in the last year and has been involved in a number of cases involving Americas Groups brands.

Discussions confirmed that persistent and systemic labour rights violations continue to be endemic in Guatemala, particularly, but not only, with regard to FOA.

In March 2023, the WG presented a proposal to the full Committee to formalize the working group. Initially, the focus will be on internal education, including learning from advances and challenges on factory cases over the last year, and from there



to explore possibilities for areas of multi-stakeholder collaboration, including among brands sourcing from the same factories or multinational manufacturers with various factories. The WG has identified some collaborative efforts related to FOA and GBV&H that will be discussed moving forward.

NOW IN 2023:

The full Central America Committee has had one (hybrid) meeting this year, on March 22 in Washington, DC. The two priorities for discussion were the Committee's 2023 program, with reports from the country working groups, and on the El Salvador FOA Guidance. That discussion successfully closed an important chapter in our work – finalizing the Guidance text and agreeing on overall expectations.

Following the March meeting,

- The FOA Working Group has shifted its focus to developing an initial implementation plan and will convene a hybrid briefing session in El Salvador on July 12. Those who attend the session in person will have a preliminary meeting with our labour partners to set priorities for a labour-AG dialogue session in November.
- The Honduras Working Group met with labour stakeholders the week of June 5 to discuss mutual priorities and plans for a labour-Americas Group dialogue session hopefully before the end of 2023.
- The Guatemala Working Group will have a planning call in late June to set a preliminary agenda for the balance of the year.

MONEY MATTERS

Americas Group total direct revenue in 2022 was USD \$136,050, a \$12,000 increase over our 2021 revenue as a result of contributions from our two new brands and a one-time special contribution from Dallas Cowboys, which resigned from the AG last year. Our end-of-year operating expenses came in at USD \$131,985, leaving a year-end surplus of USD \$4,065. The total surplus we have for future programming and/or special activities is USD \$81,659.

Americas Group participants who contributed financially in 2022 included: adidas; American Eagle Outfitters; Bella+Canvas; C&A; Carhartt; Dicks Sporting Goods; Fanatics; Fruit of the Loom; Gap Inc.; Gildan Activewear; Hanesbrands Inc.; LS&Co.; L2 Brands; New Balance; Next Level; Nike; Outerstuff; Patagonia; PopSockets; Puma; PVH Corporation; SanMar; Tegra Global; Under Armour; VF Corporation; and the Fair Labor Association.