

FLA Board Resolution on Special Review for Hey Tekstil

Adopted July 24, 2012

The Board of Directors of the Fair Labor Association (FLA) has been briefed by staff on recent developments at Hey Tekstil Sanayi ve Ticaret A.S. (“Hey Tekstil”), an affiliated Participating Supplier based in Turkey.

Hey Tekstil was provisionally approved by the FLA Board as a Participating Supplier in June 2010. Subsequently, Hey Tekstil completed the administrative requirements set out as a condition for affiliation and became a Participating Supplier in September 2010.

At the time of affiliation with the FLA, Hey Tekstil had seven factories in Turkey, five in Anatolia and two in Istanbul. Hey Tekstil manufactured knitwear for about 50 international buyers, primarily non-FLA companies headquartered in Europe. Total employment at the time of affiliation was about 4,000 workers.

FLA staff has learned from Hey Tekstil management and other sources that, in light of financial difficulties, the company has drastically reduced its operations. We understand that the company has permanently shut down six of its factories and suspended operations at the seventh. When the shutdowns occurred, roughly in the first quarter of 2012, company-wide employment was under 2,000 workers. At the time of the retrenchment, workers were owed back wages and moreover they did not receive the severance benefits they were due under Turkish law. FLA staff is in close communication with Hey Tekstil senior management and is being briefed about the efforts being made by the company to resolve its financial issues and address obligations to workers.

The Board of Directors of the FLA is concerned about the lack of payment of wages and severance to workers. Accordingly, the FLA Board has decided to place Hey Tekstil on a 90-day period of special review. Pursuant to the FLA Charter, a company may be placed on special review if it fails to achieve or maintain compliance with FLA standards. If a company fails to come into compliance within the special review period, it may be grounds for dismissal from the FLA. During the special review period, neither Hey Tekstil nor the FLA shall identify Hey Tekstil as being in compliance with FLA standards.

It is the expectation of the FLA Board that during the 90-day Special Review period, Hey Tekstil will make good faith efforts to reopen the factory where operations have been suspended and begin a process of meeting wage and severance obligations to workers and develop a credible timetable for making workers whole. Doing so would create the

conditions for removing Hey Tekstil from Special Review status. On a longer time frame, the FLA Board expects that Hey Tekstil will eventually make full payment of wages and severance to workers.

The FLA Board has asked the FLA staff to report back in 90 days on Hey Tekstil's progress. At that time, Hey Tekstil's Special Review status will be re-evaluated. The Board reserves the right to request updates at any time within this period if there are any concerns about Hey Tekstil's progress in meeting obligations.