



INTERIM REPORT INDEPENDENT INVESTIGATION TECNOTEX, NICARAGUA

In mid-March 2013, FLA-affiliated company Gear for Sports, Inc (GFSI) contacted the FLA regarding allegations of violence and violation of freedom of association rights at the factory Tecnotex,¹ located in Zona Franca Zenika, S.A., Tipitapa, Nicaragua. The product sourced by GFSI at Tecnotex was for the collegiate market under a licensing agreement from Under Armour. GFSI requested that the FLA arrange for an independent investigation into the allegations and make recommendations for remediation.

On March 20, 2013, the FLA engaged FLA-accredited independent monitor Comisión para la Verificación de Códigos de Conducta (COVERCO) to evaluate the freedom of association environment at Tecnotex and in particular investigate the following allegations:

1. The termination of workers for engaging in union activities.
2. Intimidation of workers with the intention of getting them to renounce their union affiliation.
3. An incident, which occurred on March 4, 2013, involving alleged physical altercations and violence against union leaders and their supporters instigated and/or promoted by factory management.

As a result of the investigation COVERCO issued a report² with several recommendations for the factory and GFSI. The corrective action plan developed by GFSI and Tecnotex addresses each of the recommendations in the COVERCO report. The FLA recommended that GFSI monitor closely the implementation of the remediation plan and report back to the FLA within 90 days with an implementation update.

GFSI has reported to the FLA the following update of the implementation of the action plan:

Recommendations for Tecnotex

1. Reinstatement of the workers associated with the process of union organization and the compensation for lost wages and economic benefits not received up to the moment of their reinstatement.

Corrective Action: Tecnotex will reinstate the five workers named in the COVERCO report and compensate them for lost wages and economic benefits not received up to the moment of their reinstatement. Any worker who chooses not to return to work will be offered compensation in the form of back pay, less any severance already paid.

¹ Tecnotex is owned and operated by multinational corporation SAE-A and is also known as SAE-A Tecnotex.

² The COVERCO report is available in English and Spanish at: <http://www.fairlabor.org/reports/tecnotex>

Update-GFSI-11/8/13: *Factory advised that two workers returned to work at Tecnotex on 8/21/13 & 9/17/13. According to the factory, they returned to their previous positions and were provided severance and back pay. Factory advised that a third worker rejected the offer of severance and back pay and that the severance pay was deposited with the Court. Factory further advised that a fourth worker was not reached as he has moved from Nicaragua and that his severance pay also has been deposited with the Court. Tecnotex has advised that it has refused to reinstate the fifth worker due to allegations that he pointed a mortar into the crowd during the March 4th incident; his severance pay has been deposited with the Court. GFSI has requested that Tecnotex share their evidence that the fifth worker pointed a mortar into the crowd during the March 4th incident.*

2. Develop, in accordance with the FLA Code of Conduct and Compliance Benchmarks, policies and procedures in several areas, primarily Employment Relationship, Freedom of Association and Collective Bargaining, and Industrial Relations.

Corrective Action: Tecnotex will review its existing policies and procedures to ensure consistency with the FLA Workplace Code of Conduct. Tecnotex agrees to clarify, strengthen and/or enhance its policies. Further, Tecnotex agrees to prominently display notices setting forth its policies on freedom of association. These notices will make clear that workers have the right to associate with the union of their choosing, that they have the right to be free from retaliation for exercising that right, and that they can and should report any violations of these policies to management without fear of reprisal. Tecnotex agrees to enforce its policies prohibiting retaliation against workers who choose to associate with a union.

Update-GFSI-11/8/13: *Tecnotex has posted the FLA Workplace Code of Conduct and the Factory Code of Conduct in areas accessible to workers. GFSI has requested that Tecnotex provide it with revised policies and procedures that are consistent with the FLA Workplace Code of Conduct and to do the same with respect to anti-retaliation policies and procedures.*

3. Adequately include in its orientation program content related to its Code of Conduct and the FLA Workplace Code of Conduct, with emphasis on Freedom of Association.

Corrective Action: Tecnotex will develop an expanded orientation program for all new workers that informs workers about Tecnotex's policies and the FLA Workplace Code of Conduct. This orientation will include information on workers' right to freedom of association, including their right to associate with a union of their choosing. Tecnotex's orientation program will explain Tecnotex's grievance procedures to workers, and will make clear that workers are encouraged to utilize these procedures to address workplace concerns.

Update-GFSI-11/8/13: *Tecnotex provided leadership training to factory management and union members on 4/15/13. The training included enhanced communication with other associates, management roles/responsibilities, freedom to conduct union activities, and non-tolerance of retaliation due to union activities. GFSI has requested that training provided in on-going employee orientations include a focus on freedom of association and grievance procedures.*

4. Implement a continuous training program and objective evaluation of the knowledge acquired through training with respect to policies and procedures prohibiting acts of discrimination, freedom of association, and the corporate Code of Conduct.

Corrective Action: Tecnotex will implement an internal training program consistent with the recommendations in the COVERCO report. During this training, Tecnotex's policies governing industrial relations and freedom of association will be explained and reinforced. The training will inform all attendees that violence will not be tolerated and that workplace disputes should be resolved by dialogue, not violence. Tecnotex has agreed to retain an outside organization, Better Work Nicaragua, to conduct a management training program that will be required for all Tecnotex supervisors and managers. The training program will be conducted in June 2013. The training will include industrial relations, appropriate conduct toward workers, and freedom of association, and will reinforce that workers are free to associate with any union of their choosing.

Update-GFSI-11/8/13: *Better Work Nicaragua conducted training on 6/8/13 & 6/15/13 and issued certificates to supervisors which covered 6 main topics: (1) How to be a Professional Supervisor; (2) Developing good relationships; (3) Direct Influence; (4) Worker Administration and Tools; (5) Industrial Relations; and (6) Freedom of Association.*

Recommendations for FLA-Affiliated Brands Sourcing from Tecnotex

- Communicate to all workers in writing or through other means, the commitment of the companies to guarantee the right to freedom of association and collective bargaining and their disposition to continue a commercial relationship with Tecnotex.

Corrective Action: Gear for Sports, Inc. (GFSI) will contract with a third-party training organization to communicate to all workers their right to freedom of association and collective bargaining.

Update-GFSI-11/8/13: *GFSI has offered Tecnotex -- through phone conversations, emails and a face-to-face visit with GFSI and SAE-A senior management -- help in implementation of the remediation plan, including the services of an ombudsperson. Tecnotex has declined the offer of an ombudsperson to help facilitate trainings and communication.*

- In accord with FLA benchmark FOA.6, "Restoration of Workers Rights/Reinstatement," request the reinstatement of dismissed workers that have or had the right to protection under *fuero sindical* and the payment of lost wages up to the date of their reinstatement.

Corrective Action: GFSI has requested – and Tecnotex has agreed – to reinstate the five workers at Tecnotex that were identified in the COVERCO report and compensate them for lost wages and economic benefits not received up to the time of their reinstatement.

Update-GFSI-11/8/13: *Factory advised that two workers returned to work at Tecnotex on 8/21/13 & 9/17/13 respectively. According to the factory, workers were returned to their previous positions and were provided severance and back pay. Factory advised that a third worker has rejected the offer of severance and back pay and that her severance pay was deposited with the Court. Factory further advised*

that the fourth worker identified in COVERCO's report was not reached as he has moved from Nicaragua and that his severance pay also has been deposited with the Court. Tecnotex has advised that it has refused to reinstate the fifth worker due to allegations that he pointed a mortar into the crowd during the March 4th incident; his severance pay has been deposited with the Court. GFSI has requested that Tecnotex share their evidence that the fifth worker pointed a mortar into the crowd during the March 4th incident.

- Support with professional and technical assistance effective communication, human relations and conflict resolution, as well as bi- or tripartite processes for the resolution of future labor problems, strengthening in this manner the Tripartite Agreement for labor stability and productivity for free trade zones.

Corrective Action: GFSI will work with Tecnotex to identify qualified training organizations that can provide professional and technical assistance throughout the remediation process and to allow Tecnotex to deploy proven processes to encourage worker dialogue in order to mitigate future conflicts.

Update-GFSI-11/8/13: *GFSI has offered Tecnotex -- through phone conversations, emails and a face-to-face visit with GFSI and SAE-A senior management -- help in implementation of the remediation plan, including the services of an ombudsperson. Tecnotex has declined the offer of an ombudsperson to help facilitate trainings and communication.*

- Verify, as a result of the COVERCO report, the factory's compliance and commitments regarding the remediation program for anti-union discrimination.

Corrective Action: GFSI will contract with a third-party monitoring organization to verify Tecnotex's compliance and commitments regarding the remediation program for anti-union discrimination.

Update-GFSI-11/8/13: *At this time, the remediation is not completed; additional outstanding issues would need to be completed before conducting a verification process. GFSI is continually following up with Tecnotex in an effort to obtain more information and documentation in order to remediate the issues found during the FLA third-party investigation. We have suspended POs with Tecnotex until we can come to a resolution in this matter.*