

October 18, 2007

**Jorge Nakid**

**Administrative Director, Grupo Navarra**

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Dear Mr. Nakid:

The undersigned companies, who all have had products made at factories owned by Grupo Navarra, are writing to request that you formally update us in a manner that can be shared with interested brands, workers and labor rights groups on what changes you have implemented and what changes you plan to implement in response to Verité's independent assessment of the Vaqueros Navarra facility in Tehuacán in August, 2007.

Since the investigation there has been continued interest in the findings of the report and those things Grupo Navarra has agreed to implement. We hope this letter and your response will help clarify the facts around some of the challenges that were identified during the audit and the steps you are taking to improve conditions in your operations.

Some of the major findings of the assessment are listed below, including the key events Verité identified with regard to freedom of association (FOA) issues at Vaqueros Navarra. Though this letter does not include all findings, it seeks to faithfully represent the major ones. We have also included the major agreements that you have committed to; however, we recognize that these are not all-inclusive. We welcome your additions.

We would like to thank you once again for your agreement to participate in Verité's assessment and look forward to your update on the status of how these issues are being addressed.

**Key FOA-related events identified by Verité:** Verité identified the following to be the key events involved in the FOA issues at Vaqueros Navarra. Their investigation included a review of legal and other documents, interviews with current and dismissed workers, management, and additional stakeholders, including NGOs and trade unions.

- Freedom of association issues at Vaqueros Navarra were driven by a number of key events that began with worker uncertainty about the validity of the profit sharing amount.
- **May 16:** Management suggested the formation of a mixed commission to review the financial statement (*caratula*), the members of which were selected by management, not by workers. Workers lacked faith in this commission and rejected this suggestion.
- **May 31 – June 13:** Workers attempted to form an independent coalition of workers that would have the legal power to request a formal review of the *caratula*, but coalition leaders were subsequently coerced by management to desist in this process and withdraw their legal requests.
- **June 20 – 21:** After withdrawing their petition, workers of the coalition initiated a work stoppage and were consequently dismissed.
- **July:** As many as three hundred workers were dismissed in July – management said this was due to lack of work, while workers reported that these dismissals were due to their FOA-related activities.
- **July 10:** The “September 19<sup>th</sup> union”, affiliated to the FAT (Authentic Labor Front), filed a petition with the Conciliation and Arbitration Board for the title of the collective agreement. Workers held an assembly on July 10, during which the majority of workers supported the September 19<sup>th</sup> union.

## **SOME OF THE MAJOR FINDINGS OF VERITÉ'S ASSESSMENT:**

- **Freedom of association (FOA):** Verité's investigation found that workers had been psychologically and verbally harassed, dismissed without warning, and forced to sign resignation letters for attempting to form an independent union at the factory and that at least some workers dismissed for union activities have been blacklisted. It found that the official reason given for workers dismissed for FOA-related activities was "lack of work."
- **Harassment and abuse:** The audit found evidence of ongoing physical, psychological, sexual, and verbal harassment and abuse from multiple management personnel. The report found that workers fear filing complaints because of the seniority of the personnel engaging in these behaviors and a lack of effective follow-up even when action is taken. Such harassment has included verbal threats of dismissal for non-punishable offenses, such as union organizing, refusing overtime, and affiliating with labor rights NGOs.
- **Mandatory overtime and production quotas:** Verité's assessment found that workers were frequently obligated to work overtime to meet production quotas and that this overtime was not paid properly. Further, workers were pressured, harassed, threatened with dismissal, and sometimes dismissed when they refused to do so. The audit also found that quotas had increased significantly as a result of cuts in personnel.
- **Dismissals and resignations:** Verité's audit found widespread evidence that some workers had been coerced into signing voluntary resignation letters at the time they were being dismissed. Some were told they would receive no severance if they did not sign letters of resignation, and others were forced to sign. The audit found that wages owed, severance, and other benefits were indeed withheld from terminated workers that did not sign resignation letters. Both management and workers reported that as many as 300 workers had ceased working at Vaqueros Navarra in July, though the auditors were unable to determine exact numbers. Management said that some had been transferred to other plants.
- **Disciplinary procedures:** Verité's assessment found that disciplinary measures are not reasonable and did not contain an escalating series of verbal and written warnings. Workers have been dismissed without warning for minor as well as non-punishable offenses, such as production errors, refusal of overtime, union organizing, failure to meet quotas, and filing grievances. The audit also found that disciplinary procedures are not standardized throughout the factory and that the procedures are not consistently applied – punishments are often determined by relationships with management, rather than by the type of offense.
- **Discrimination:** The audit found that the factory had discriminated in hiring and firing based on pregnancy status, age, and union affiliation.
- **Employment and personnel policies:** The assessment found that personnel policies were insufficient in many of the areas where problems were found (such as harassment, disciplinary procedures, etc.) and that workers were not sufficiently aware of existing policies. It was found that workers were not allowed to review their personnel files and that some workers had not received signed employment contracts. Files of dismissed workers were found to lack key information, such as reasons for dismissal and records of severance payments.
- **Grievance procedures:** Existing grievance procedures and management follow-through on complaints do not protect workers' privacy, effectively protect them from retribution, or result in adequate management follow-up. They are used by few workers for fear of reprisal and due to the seniority of Vaqueros Navarra management involved in those things they would otherwise report.

**SOME OF THE MAJOR COMMITMENTS MANAGEMENT HAS MADE:**

**Implementation of Verité's recommendations:** In general, management has committed to implement all Verité's recommendations resulting from their assessment. These include but are not limited to measures to address all issues listed in the findings above.

**Cessation of harassment, abuse, discrimination:** Management has agreed to take measures to end all forms of physical, psychological, sexual, and verbal harassment and abuse, to communicate to all levels of management that such acts will not be tolerated, to engage in training for management and supervisors, to monitor the behavior of personnel to ensure that such abuse does not persist, and to establish and enforce disciplinary procedures that will punish any such abuse in the future with disciplinary action up to and including termination if such behaviors persist.

**Respect for workers' associational rights:** Management has committed to the cessation of discrimination in hiring and firing based on workers' exercise of their rights to Freedom of Association and has said they will not interfere in the exercise of these associational rights.

**Non-interference in the recuento process:** Management has stated that it will support and not interfere with the recuento process moving forward. It has not indicated any objection to this process moving forward in an expeditious manner that protects the confidentiality of the workers and is held at a neutral and accessible location.

**Prioritization in rehiring:** Management has committed to give priority to those workers that were dismissed or resigned in June and July of 2007 in its future hiring decisions.

**Establishment and communication of updated policies and procedures:** Management has committed to the development and communication of updated policies and procedures to address the issues identified in Verité's audit.

Sincerely,

American Eagle Outfitters  
Gap Inc.  
Warnaco Inc.

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