

FAIR LABOR ASSOCIATION

Verification Process

Style Avenue, S.A. de C.V. El Salvador

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I. BACKGROUND

In 2011, Outerstuff and College Kids, brands affiliated to the Fair Labor Association (FLA), requested an investigation regarding working conditions in the garment factory Style Avenue S.A. de C.V. Such investigation, conducted by Grupo de Monitoreo Independiente de El Salvador (GMIES), resulted in a number of findings related to violations of freedom of association, and cases of verbal abuse and sexual harassment, among others. One of the consequences of the report submitted by GMIES, was the development of a remediation plan drawn up by factory management, Outerstuff and College Kids, with the purpose of correcting and overcoming the abovementioned violations at Style Avenue.

Subsequently, in 2012, FLA commissioned Centro para la Reflexión, Educación y Acción (CREA) to carry out an independent verification of the implementation of the remediation plan. CREA concluded that most of the corrective measures had been implemented, or they were in the implementation process, and it confirmed important progress in the exercise of the right to freedom of association, since opportunities for dialogue between Style Avenue and the union had been created to address labor issues.

In February 2015, brands Outerstuff and College Kids commissioned a new verification process to assess the progress of the implementation of the remediation plan at Style Avenue, especially with respect to the following items:

1. Training for the 100% of the workforce on freedom of association;
2. Ensure workers' awareness about freedom of association;
3. Ensure that working hours are within legal limits, and that workers use the Biometric Time Clock to register their working hours;
4. Guarantee that workers are not subject to any kind of verbal or sexual abuse or harassment;
5. Continue monitoring ambient temperature in the factory;
6. Ensure the effective use of the right of vacations by workers;
7. Guarantee the timely payment into the social security system and pension systems by the factory;
8. Confirm the existence and implementation of factory procedures, based on the factory's new policies and consistent with FLA performance standards;

9. Confirm existence of grievance procedures, and their correct application, emphasizing high risk-cases (such as sexual harassment and verbal abuse);
10. Investigate possible situations of violence and discrimination based on gender or sexual orientation;
11. Confirm the existence of effective and comprehensive policies and procedures regarding freedom of association, the prohibition of anti-union discrimination, as well as equal treatment across several unions in the factory; and
12. Selection and appropriate knowledge for trainers, ensuring that they have the necessary technical knowledge, such as labor rights.

A number of problems in the factory were found in such verification which were listed in the report, among them those regarding the effective exercise of the right of freedom of association, indicia regarding discrimination based on union affiliation or sympathy, and challenges with respect to labor-management dialogue. Thus, Style Avenue, with the support of the brands Outerstuff and College Kids, drew up a new remediation plan in July 2015 with the purpose of overcoming the problems identified in February of the current year. This verification report was commissioned to fulfill the commitment to monitor the progress of the remediation process.

II. GENERAL INFORMATION REGARDING STYLE AVENUE, S.A. DE C.V.

Style Avenue is a Variable Capital Corporation dedicated to making garments. FLA brands Outersuff and College Kids are its customers. It is located in San Bartolo Industrial Park in San Salvador.

It currently has a workforce of 413 persons, of which 303 are women and 110 men. There are 7 union organizations in the factory:

1. Seccional of the Sindicato de Trabajadores y Trabajadoras de la Industria Maquiladora, Comercialización, Servicios y Afines de El Salvador (SITRAIMES);
2. SITECS, affiliated to Federación de Asociaciones y Sindicatos Independientes de El Salvador, FEASIES;
3. Sindicato de la Industria de la Costura y la Maquila, SINDICOM;
4. Sindicato General de Costureras, SGC;
5. Federación Sindical de El Salvador, FESS;
6. Sindicato de Trabajadores de la Industria del Vestir de El Salvador, STIVES; and

7. Seccional of the Sindicato de Trabajadores de la Industria de Algodón, Sintéticos, Acabados, Textiles, Similares y Conexos, STITAS; member of Federación Nacional de Trabajadores Salvadoreños (FENASTRAS).

III. DESCRIPTION OF METHODOLOGY

The independent verification process of the remediation plan developed in July 2015 included a visit to Style Avenue to conduct the document review, interviews with management, workers and union organizations, as well as visual inspection of the company facilities.

2.1 INTERVIEWS

| No of interviews | Interviewed persons | Date of the interview |
|-------------------------------|---|-------------------------|
| 1 group interview | <u>6 persons</u> : Secretary-General, Secretary for Women, Organization Secretary, Finance Secretary, First Secretary of Conflicts, and Secretary-General of the Branch of the Sindicato de Trabajadores y Trabajadoras de la Industria Maquiladora, Comercialización, Servicios y Afines de El Salvador (SITRAIMES). | Thursday 08-20-2015 |
| 1 group interview | <u>5 persons</u> : Finance Secretary, Secretary for Gender and Youth, Recording Secretary, and two members of SITECS, affiliated with the Federación de Asociaciones y Sindicatos Independientes de El Salvador, FEASIES. | Thursday 08-20-2015 |
| 1 group interview | <u>7 persons</u> : Secretary-General, Secretary of Conflicts, Recording Secretary, First Secretary of Conflicts, Secretary of Press and Union Education, Secretary for Culture and Education, and one member of the Sindicato de la Industria de la Costura y la Maquila, SINDICOM. | Thursday 08-20-2015 |
| 1 group interview | <u>2 persons</u> : Secretary-General, and Secretary of Press and Propaganda of the Sindicato General de Costureras, SGC. | Thursday 08-20-2015 |
| 1 group interview | Recording Secretary and Finance Secretary of the Federación Sindical de El Salvador (FESS). | Thursday 08-20-2015 |
| 1 individual interview | Secretary-General of the Federación de Asociaciones y Sindicatos Independientes de El Salvador, FEASIES | Wednesday 08-19-2015 |
| 1 group interview | <u>2 persons</u> : Human Resources Manager and Head of the Human Resources Department of Style Avenue. | Thursday 08-20-2015 |

| No of interviews | Interviewed persons | Date of the interview |
|--------------------------------------|--|-----------------------|
| 1 group interview | Organization Secretary, First Secretary of Conflicts, Second Secretary of Conflicts and Secretary of Social Security of the Sindicato de Trabajadores de la Industria del Vestir de El Salvador, STIVES. | Friday 08-21-2015 |
| 1 Individual Interview | Secretary-General of the Seccional of the Sindicato de Trabajadores de la Industria de Algodón, Sintéticos, Acabados, Textiles, Similares y Conexos, STITAS, affiliated with the Federación Nacional de Trabajadores Salvadoreños (FENASTRAS). | Friday 08-21-2015 |
| 12 Individual Interviews | Non-unionized personnel of Style Avenue, interviewed during the visit to the Factory, in a private place, without the interference of management or of the unions. | Friday 08-21-2015 |
| Total interviews: 21 | | |
| Total interviewed persons: 32 | | |

2.2 DOCUMENT REVIEW

In the verification process, Style Avenue management provided the following documents:

1. July 2015 Remediation Plan;
2. Policy of Respect regarding sexual diversity;
3. Policy of Respect for gender diversity;
4. Policy and procedure for environmental protection;
5. Policy and procedure for workplace safety and hygiene;
6. Policy and procedure against forced labor and child labor;
7. Policies and procedures regarding sexual harassment at the workplace (draft);
8. Study of thermal stress;
9. Profile of specialized trainers on freedom of association, sexual harassment and workplace harassment;
10. Content of presentation of trainings on sexual harassment, workplace harassment, and freedom of association.
11. List of attendees of trainings on sexual harassment, work harassment and freedom of association, on July 11, July 25, and August 15.

12. Evaluations of training sessions held;
13. Proposal for training for the factory's administrative personnel, to be given by Grupo de Monitoreo Independiente de El Salvador, GMIES;
14. Photocopy of preliminary results of the visit of a technician from the Department of Occupational Safety and Hygiene of the Ministry of Labor and Social Security (MTPS) to the facilities of Style Avenue on Friday, August 21, 2015;
15. Biometric Time Clock and payroll records for 10 workers, for the workday 08-06-2015;
16. Code of Conduct of the Company Style Avenue, S.A. de C.V.;
17. On-Boarding Manual;
18. Disciplinary Rules for union officers;
19. Protection Policy for pregnant workers;
20. Protection Mechanism for pregnant workers;
21. Grievance procedure;
22. Process of recruitment, selection and hiring;
23. Minutes of Roundtable meetings held on May 12 and 26 and June 23', 2015;
24. Photocopies of 3 appeals submitted to the MTPS for fines imposed by MTPS on the factory, for owing part of the salaries of Style Avenue workers with regard to suspension of work that occurred in February 2015.

IV. RESULTS OF INDEPENDENT VERIFICATION

Below is a chart that details the corrective actions included in the remediation plan developed by the factory and brands Outerstuff and College Kids, after the follow up conducted in February 2015 that required verification of fulfillment or lack of fulfillment of progress:

| No | SUMMARY OF FINDINGS IDENTIFIED IN FEBRUARY/2015 | SUMMARY OF CORRECTIVE ACTION PLAN (CAP) DEFINED IN JULY/2015 | STATUS OF THE REMEDIATION PLAN |
|----|--|--|---|
| 1 | <p>Even though there is a special program for pregnant workers, that recognizes their rights and other benefits, it was confirmed through a visual inspection, that there were pregnant workers doing exhausting physical work.</p> <p>It was recommended to modify the protective measures to be in accord with national law and FLA Compliance Benchmarks (ND 8.1).</p> | <p>Management will closely monitor the condition of every woman worker from the first day of being informed of her pregnancy; this can be confirmed through ISSS prenatal control forms or any other document related to pregnancy.</p> <p>The factory has in place a mechanism of protection designed for pregnant workers.</p> | <p>Completed Action</p> <p>Immediately after the audit, the two pregnant women were transfer to other departments where they could sit in their work and perform easier tasks.</p> <p>In the visual inspection conducted at the plant, this investigator recognized a workers who had been performing physically demanding tasks while pregnant during an earlier visit in February 2015. When asked about the measures taken, the worker reassured the investigator that after the earlier verification she was transferred to another position that did not require physical effort.</p> <p>Regarding protection mechanism designed to protect pregnant workers, it was observed that it is based on national legislation and FLA Compliance Standards (ND 8.1).</p> |
| 2 | <p>Some problems regarding the exercise of freedom of association were observed, among them anti-union behavior by representatives of the factory, and permanent conflicts among the unions.</p> <p>This situation requires the continuation of training programs in this area for both management and labor organizations, delivered by specialized staff, since these problems affect the workers and also factory productivity, as they</p> | <p>Management will train 100% of the factory workforce in topics such as freedom of association, sexual harassment, labor harassment, and verbal abuse. For such purpose, it will contract with experts in the specific topics, who will deliver 2-hour training to groups of 50 persons on Saturdays from July to October 2015.</p> <p>Such training sessions will be evaluated.</p> <p>Management Department will share experts' profiles with the brands and FLA.</p> | <p>Action in Progress</p> <p>To date, 283 persons have been trained out of a workforce of 413 individuals. This means that 68.52% of the personnel have been trained.</p> <p>It was observed in the profiles of the trainers that they had experience in topics such as labor law, freedom of association, and sexual harassment. The examination of the content of the trainings revealed that they covered the general concepts of the right to freedom of association, sexual harassment, and workplace harassment. However, contents of the trainings should be strengthened by providing more examples of conduct that may constitute sexual harassment, workplace harassment and attacks</p> |

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| | create an inappropriate work environment. | Estimated due date: 10-17-2015. | <p>against freedom of association, based on national legislation and international standards ratified by El Salvador.</p> <p>It is important to note as a positive factor that management has determined that the time workers spent in trainings, given on Saturdays, is paid time. This stimulates workers' participation.</p> <p>It should be pointed out that when checking the training evaluation sheets, they were not graded; therefore, it was difficult to determine if the persons were duly understanding the content delivered in the training. At least 15 evaluation sheets were carefully reviewed, observing in 12 of them that the trained individuals had not understood the basic contents of the training.</p> <p>In interviews conducted, management evaluated the training positively, stating that management personnel were motivated by the training. In contrast, out of 7 seven interviews conducted with unions as a group, 4 unions considered that the effort is positive, but supervisors and HR department personnel continue to use verbal abuse toward union members; they also pointed out that the space to give the trainings is not adequate and that such trainings must be more dynamic; 2 unions considered that the situation has improved after the training; and 1 union stated that there are no cases of verbal abuse or discrimination against union leaders. In this regard, 100% of the interviews involving non union members evaluated the training process positively, and mentioned that there is not discrimination against unions in the factory. Moreover,</p> |

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| | | | <p>50% of these workers mentioned that from their point of view “the unions’ activities are a problem because they go to the Ministry of Labor for any reason”. This attitude indicates the lack of awareness they have regarding the role of unions, since these organizations rely on legally-established institutions to defend their interests. It should also be noted that 75% of the interviewed personnel who are not union members mentioned the existence of verbal abuse by supervisors and among their peers.</p> <p>Six union organizations spoke about different behaviors that provide evidence of discrimination towards union leaders. When asked about the ways they have been discriminated, they stated the following:</p> <ol style="list-style-type: none"> 1) In the packing area, there is more control and heavier work requirements for union leaders, while some workers have lighter responsibilities and monitor social networks on their phones without being subject to penalties. 2) When there are accusations or complaints against supervisors, the Human Resources Management Department does not respond to complaints from union leaders, discredits them, and shows preferences and provides protection to supervisors. 3) That Human Resources Department meets “alone with some unions”. There is no openness or the same direct access to all organizations. 4) Record of verbal abuse (yelling) by the Manager of Human Resources and the Head of the Human Resources Department to union leaders; reportedly, the Head of Human Resources shouted “shameless” to union leaders who were |

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| | | | <p>presenting a petition.</p> <p>5) Harassment of a union leader by management (it was even mentioned that a union leader was hit by the General Supervisor), by peers, and by another union.</p> <p>In an interview, the Human Resources Manager stated that the factory always maintains a posture of absolute respect and openness to dialogue with respect to each of the union organizations without any differentiation.</p> |
| 3 | <p>The resignation of the SITESA union leader raised doubts and concerns that affected all of the unions, because most of the leaders stated that such resignation was due to pressures, and that it was a message that indicates that at any moment, the other union leaders could be affected by the loss of their jobs.</p> | <p>In order to have a better understanding of the disciplinary procedures, Style Avenue will create a special procedure to discipline union officials.</p> <p>The factory, when informed that a worker is a member of the board of directors of a union, even without any evidence of his/her membership, will respect all of his/her labor rights according to national labor law.</p> <p>Estimated due date: 27-05-2015</p> | <p>Completed Action</p> <p>It was observed that the special procedure to discipline union leaders is consistent with national legislation. It should pointed out as a positive factor that in such procedure, management acknowledges that before the possible sanction of a union leader, prior to taking the case before a legal-judicial institution, it will try to solve the problem through dialogue with the relevant union representative. However, one union leader interviewed expressed her concern about this “alternative mechanism”, since it could be used discretionarily by the factory, depending on the union involved in the alleged infraction.</p> <p>Finally, one of the interviewed union leaders expressed concern regarding the harassment of a union leader within Style Avenue, as such actions against the union leader are similar to the climate of hostility created before the resignation of the SITESA leader.</p> |

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| 4 | <p>Messages were found in women’s restrooms that expressed discrimination based on sexual orientation; in this regard, awareness and training programs should be given to all of the workforce, in order to eradicate stereotypes and expressions of violence.</p> | <p>The factory will paint with dark colors the vandalism messages found in women’s restrooms, and will issue a memo setting out a policy to make workers aware and avoid violence and discrimination based on sexual orientation, which will be called “Policy of respect for gender diversity”.</p> | <p>Completed Action</p> <p>During the inspection conducted in women’s restrooms, it was observed that they had been painted to eliminate the expressions of violence and discrimination based on sexual orientation. It was also observed that the policy of respect for gender diversity is consistent with the principle of non-discrimination enshrined in the Constitution, Convention 111 of the International Labor Organization (ILO), the Law of Equality, Equity, and Eradication of Discrimination Against Women, and Non-Discrimination standards in the FLA Workplace Code of Conduct Provisions. The policy includes a complaint mechanism with the purpose of not tolerating, under any circumstances, discrimination based on gender or sexual orientation. However, it is important to modify a term incorporated in such policy, which refers to “unconventional gender-identity”. It is recommended that the term “unconventional” be deleted.</p> <p>In 100% of interviews with unions and non-unionized personnel, the interviewees mentioned that they were not aware of cases involving discrimination based on sexual orientation or gender identity.</p> |
| 5 | <p>Evidence of union discrimination based on what unions identified as preference of management for “other unions”. From the point of view of the verifier, this happens because labor problems are discussed individually with each union, instead of building and consolidating a common space for</p> | <p>Management will convene all unions to a roundtable in order to share with them the results of the verification and the intention of working with buyers and with the FLA to take actions that would allow correcting problems found and included in the remediation plan, inviting the</p> | <p>Action in Progress</p> <p>In the verification it was confirmed, through review of meeting minutes and interviews, that the roundtable was set up, and that a common work program was established with the purpose of following up the remediation plan defined by management and the brands. In addition, at the roundtable meeting held on May 12, 2015, the parties</p> |

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| | dialogue that may have a work program shared by management department and the unions as a group. | unions to be part of the process and share on its progress. | discussed setting up of the abovementioned roundtable as well as a system of “work tables” in order for every union represented in the factory to have the possibility to request opportunities for dialogue to discuss their problems or to make complaints. In this regard, in February 2015 report, this verifier stated that to avoid the perception of preference among the unions, it was advisable to relaunch and consolidate roundtable meetings, defining a common work program with the participation of unions and the management. However, the existence of mechanisms as the one suggested by management -- which provides opportunities in order that each individual union poses those problems of its organization and members – is also legitimate. |
| 6 | It is necessary to restart and consolidate roundtable meetings to allow management and unions to address existing labor problems. | | <p>Regarding the operation of the existing roundtable, the 85.71% of the interviewed union leaders mentioned that the roundtable is not fulfilling its goal because no solutions have been reached to the posed problems; and the remaining 14.29% has expectations that the roundtable will get results over time. In this regard, one of the leaders expressed that it is too soon to analyze the functioning of the roundtable, and that to evaluate it, it is necessary for more time to elapse.</p> <p>Finally, four unions opined that the period for the dialogue and to address the problems identified in the factory is too long: every three months.</p> |
| 7 | End the practice of late payments of contributions to the social security system on behalf of workers. | Style Avenue, in collaboration with supplier, Starland Group, are working together to avoid payment delays to such institutions. | <p>Action Not Fulfilled</p> <p>ISSS contributions were paid on time during the months to date in 2015. However, some delays were observed in the payment of the Pension Funds Administrators (AFP</p> |

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| | | | <p>in Spanish). Regarding the payment of AFP CRECER, there were some delays in contributions for the period from February to June 2015 ranging from 21 to 38 days. Moreover, in the case of the payment of AFP CONFIA, during the period from February to June 2015, there were delays in contributions ranging from 3 to 14 days.</p> <p>Management states that the factory is up-to-date with the payments. But it must be emphasized that this observation is not made because of lack of payment of workers' social security contributions, but rather about payment on time, pursuant to Section 3, Article 19 of the Law of the Savings System for Pensions.</p> |
| 8 | <p>The factory must conform its policies and procedures to the Compliance Benchmarks of FLA. Especially the procedures related to the mechanisms that would properly address cases of sexual harassment and verbal abuse. The factory must keep in mind that sexual harassment and verbal abuse are considered to be psychosocial risks, according to the General Law for the Prevention of Risks in Workplaces; therefore, it is a responsibility of the factory to guarantee the fulfillment of these standards, maintaining a working environment that is free from the abovementioned risks.</p> | <p>100% of the personnel will be trained on sexual harassment. Besides, the human resources staff will receive intensive training in that area, in order to provide them enough knowledge to be able to prevent and solve cases of sexual harassment and/or verbal abuse. It is expected that the 3 female employees who work in Human Resources Department will be familiar with and communicate exclusively regarding such cases.</p> <p>The abovementioned training will also focus on supervision of psychosocial work to strengthen working relationships, through dialogue, interaction, empathy and the creation of working environment conducive to high-quality production and good labor-management</p> | <p>Action in Progress</p> <p>The factory already has a draft of Standards Procedure that includes a complaint mechanism, an investigation process, and penalties that may be applied when the existence of sexual harassment cases is confirmed. To strengthen this procedure, the human resources staff is receiving an intensive training on this topic given by Grupo de Monitoreo Independiente de El Salvador (GMIES). In this regard, it is recommended that the factory request support from the Instituto Salvadoreño para el Desarrollo de la Mujer (ISDEMU), to learn about its experiences in considering and solving sexual harassment complaints.</p> <p>It was also verified that the trainings referenced in item 1 of this chart will be delivered to all of the workforce, and that they will include the topic of sexual harassment, in order to raise awareness and sensitize the workforce in order to prevent future cases.</p> |

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| | | relations. | <p>However, their contents should be strengthened integrating the Law of Equality, Equity, and Eradication of Discrimination Against Women, and providing examples of actions or behaviors that may constitute sexual harassment.</p> <p>In the interviews with the unions, one organization stated that they had information of one case of sexual harassment by supervisor XXX; as a result, a young woman worker resigned. When asked if they had reported the situation to management, the union stated that they did not report the situation because the young woman was in the probationary period. The investigator requested from the union the telephone number of the person to investigate more about the situation, but they did not have it. In interviews, 33% of the non-unionized personnel stated that they were aware of sexual harassment cases and that they consider comments about the bodies of women as harassment. One of the interviewed persons again pointed to supervisor XXX as the source of such comments.</p> <p>Finally, regarding the lack of policies for child and forced labor and about policies and procedures regarding safety and hygiene identified during the February 2015 verification, management has developed the pertinent drafts, which were shared with the FLA to ensure that they are in harmony with FLA performance standards.</p> |
| 9 | Regarding the suspension of work, brands should review the procedures that determine the dynamics of operation of their supply chains, to avoid break downs that may cause serious | The factory reports to its clients monthly on capacity. It would be necessary to have an estimate of at least 6 months in advance to adjust production plans in order to | <p>Action in Progress</p> <p>The payment owed to workers for the work suspension that occurred in February 2015, was made according to the amounts determined by the MTPS. The verified</p> |

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| | <p>damage to the life of workers and their families, as they depend on their salaries to meet their own and their families' financial responsibilities.</p> | <p>avoid emergency work suspensions.</p> <p>The production team of the brands is working with the supplier – Starland – to improve the timeliness of the supplies of material and accessories, using a weekly report of raw material and the production status.</p> <p>It is necessary to have a tool such as a T&A calendar (Time and Action) that would generate a precise report to have better communications between the interested parties (beginning with Starland) to control production flows and the timely order of raw materials.</p> <p>Regarding the case, the factory will accept the decision of the Ministry of Labor and Social Security.</p> | <p>corroborated that the payments were made in the payroll for June 2015. Three unions mentioned that workers of the packing department were not paid. The head of the Human Resources Department informed that payment for this department it was in process, but did not provide an approximate time of when the payment would be made. The head of Human Resources explained that workers in the packing department did not receive payment for the period of the work suspension because workers in this department were not included in the acts issued by the investigators of the Ministry of Labor. The head of Human Resources stated that the factory will communicate with the buyers on this point, as the factory maintains that it does not have any legal or financial obligation for work suspension arising from lack of raw material.</p> <p>Management representatives stated that they are coordinating closely with Starland to improve and guarantee the existence of supplies.</p> |
| 10 | <p>The MTPS is one of the institutional mechanisms designed by the State of El Salvador to protect workers' rights; therefore, an employer should not consider the opinions of that institution as an option, but rather as a guideline to protect a fundamental human right that has a social function. Therefore the factory has the obligation to pay for three days of sick leave.</p> | <p>The opinion issued by the MTPS about the payment of 3-day medical leaves is not an obligation. However, management is open to communication with each employee in order to understand and analyze how to deal with each unique case. Besides benefits required by law, the factory is willing to provide additional benefits to each worker based on the factory's ability to do so.</p> | <p>Action that Requires Monitoring</p> <p>It was confirmed through 100% of the interviews conducted in this verification (involving management, unions and non-unionized personnel) that the three days of paid sick leave has not been implemented yet. Management states that such payment is not mandatory. However, a comprehensive interpretation of work standards in El Salvador should be done to determine whether such payment is responsibility of the employer. Relevant standards are contained in Articles 50 of the Constitution, 307 and 308 of the Labor Code and 100 of the Social Security Law.</p> |

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| 11 | <p>Identified high temperatures require an urgent intervention strategy. For such purpose, it will be necessary that the factory fulfills the project that they have planned in relation to occupational safety and health security, in order to conduct an investigation of heat, that may allow them to identify the proper measures to improve the temperatures inside the plant.</p> | <p>The ambient temperature investigation will be conducted, and the recommendations will be evaluated, assuring that air injection operations, the building air extraction system, and safe drinking water supplies are continuously monitored to keep their effectiveness. Air extractors are cleaned and checked monthly.</p> | <p>Completed Action that Requires Ongoing Monitoring</p> <p>Management conducted an investigation of heat or thermal stress, and it determined that the temperature levels are within the limits established in the General Law for the Prevention of Risks in Workplaces. In spite of it, 85.71% of the interviewed unions mentioned that heat is excessive and questioned the method used to measure the temperature, because they stated that the temperature was measures in the morning, and not in the hours of higher temperatures, that is, after lunch time, between 1:00 and 2:00 pm. 100% of non-unionized personnel also mentioned that heat is excessive in the afternoons. It must be mentioned that it was possible to confirm the certification by the MTPS of the expert.</p> <p>On August 21, during the time when the verification was being conducted, a technician of the Occupational Safety and Hygiene Department of the MTPS conducted a brief inspection at the production plant. In the preliminary report, he mentioned a temperature of 102.2° F (39°C) inside the plant, which exceeds the limits established in Articles 137 and 142 of the General Law for the Prevention of Risks in Workplaces. One of the unions mentioned that the technician of the MTPS had said that the heat study commissioned by the factory contained inconsistencies. However, the verifier tried to interview the MTPS technician but he had already left the facilities.</p> <p>In the heat study conducted by the expert hired by the factory, it was recommended to keep system of injection and extraction of air in operation and to also keep enough</p> |

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| | | | water sources for the workers. |

OTHER FINDINGS

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| 1 | Work session on August 06, 2015 | <p>August 6 is a day of rest defined by the Labor Code. Style Avenue management and workers, at the request of the union organizations (except SINDICOM), agreed to work on that date, establishing that they would receive compensatory time equivalent to that working day. However, the identified problem is that the provisions established in Article 192 of the Labor Code were not duly applied. Such provisions state as follows: <i>“Those workers who by mutual consent with their employer, work on a day of rest, shall receive an additional salary formed by the ordinary salary plus an extra amount of the one hundred percent of it”</i>. Granting compensatory time does not exempt the employer from the responsibility of paying that time as a right acknowledged in favor of workers, established in Article 192 of the Labor Code. Even though the arrangement was agreed with the workers, it is a case where the enforceability of a Constitutional principle included in Article 52, prevails. Such article establishes the inalienability of the rights established in favor of workers. However, it should be noted that currently there is an ongoing process at the MTPS aimed at determining if the payment called for in the Labor Code applies in this case or not. The factory should abide by the resolution that will be issued by the MTPS.</p> | |
| 2 | Risks in the area of health, safety and occupational hygiene | <p>Through the visual inspection of the plant, it was observed that:</p> <ol style="list-style-type: none"> 1. Workers (men and women) do not wear masks; 2. The use of a glue spray without the proper protection was identified; and 3. Some chairs of the operators were damaged. Additionally, one of the unions gave the investigator pictures showing a worker (woman) who use thread cones as a base to bring her chair to the correct height. | |

V. CONCLUSIONS, ASSESSMENTS AND RECOMENDATIONS

In general, the overall progress and the effort that the factory is making to overcome the findings identified in the verification conducted in February 2015 needs to be recognized. This investigator encourages the factory to continue and complete the implementation of the remediation plan activities that are still in progress. However, there are serious problems that have not been addressed and require the implementation of additional actions to those already raised in the Remediation Plan, with respect to the points listed below:

1. Signs of a deteriorating relations between unions and the Human Resources Department; discrimination against union activities.

From interviews with the unions, a high level of mistrust was perceived among union leaders about the work of the Human Resources, Department, which inevitably leads to limitations on the exercise of an effective dialogue between organizations and management in the already-established roundtable. When asked about specific situations that fuel the mistrust of the Human Resources Department, they mentioned the following:

- a. Lack of openness when allegations of misbehavior by supervisors is brought to their attention; union leaders believe that in these instances, Human Resources staff "do nothing" or "side with the supervisors" without further investigations.
- b. Signs of discomfort from the Human Resources Department every time that the organizations request inspections from the MTPS.
- c. The attitude and communication style of the head of the Human Resources Department are seen as a sign of superiority over women and men workers.
- d. Experiences of discussions with the Human Resources Department that have turned heated and loud.

The staff of the Human Resources Department counter that they maintain a policy of openness and full respect toward all factory personnel, including key leaders of the unions present, and that they stand ready to address their complaints and problems.

To complement the information provided by the unions and the Human Resources Department, the investigator asked the non unionized factory staff about relationships between unions and management. In this regard, 50% of the interviewed workers said that they are strained and are caused by the confrontational attitude of union representatives, who constantly threaten to go to the MTPS with "any problems" and that it is this behavior that generates "anger" and/or "rejection" on the part of management towards trade unions. They state that in their personal experience, they always find openness in the Human Resources Department to receive their problems or concerns. But in this respect, it must be reiterated, as it was done previously, that this reflects a

lack of understanding about the work of trade unions, which involves the defense of the interests of workers, through legal and institutional mechanisms designed for this purpose.

The points above are evidence of deteriorating relations within the factory that involve and affect trade unions, management and, consequently, the rest of the staff and the productivity of the factory. Despite this, the major effort of dialogue that has been initiated should continue despite the difficulties presented by the distrust between the parties.

2. Evidence of repeated instances of verbal abuse.

As noted in the table in this document that assesses advances in implementing the remediation plan, instances of verbal abuse by supervisors remain persistent. This requires that the investigation of complaints about verbal abuse be strengthened, and that disciplinary sanctions against verbal abuse create a deterrent and ensures that these acts are not repeated. For example, it should be mentioned that during the visit to Style Avenue, I interviewed a worker supported by the union who claimed to be the victim of verbal abuse which, in my opinion, implies an act of violence against women criminalized by Salvadoran law. This worker was still clearly affected by the events that were attributed to supervisor XXX who said once that "if he were in her position, he would take a poison", a comment that he made since the worker frequently requests permission to attend therapy. The fact was reported to management and management brought it to the attention of the supervisor. The worker has stated that the supervisor has not verbally abused her again.

3. Persistent delays in payment to organizations that administer pension funds (AFPs).

From February to August 2015, the factory continued to be late in making payments on behalf of workers to pension funds (the AFPs CRECER and CONFIA).

Based on the above, the following is recommended:

- a. Hire an expert to conduct a study of the labor climate inside the factory that would show the status of labor relations at Style Avenue and root causes;
- b. Depending on the results of the study in (a) above, assess the possibility of hiring a third party to play the role of an ombudsperson figure to help modulate interactions between management and unions in order to build and strengthen trust between the parties. In addition, the suggested third party could develop a common working agenda for the roundtable to take up to overcome the problems identified in Style Avenue.
- c. Investigate management staff alleged to have engaged in verbal abuse to ensure that such actions are not repeated.

Finally, it should be noted that good work relations not only provide working environments that respect labor rights of workers and employees, but also become a factor that guarantees good levels of productivity for any factory or company.