

Draft Report

Addressing labour rights violations at Tarrant Ajalpan, Mexico using the Ethical Trading Initiative's complaints procedure.

May 2004

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Contents

Introduction	3
Record of the process	4
Unresolved issues	7
Lessons learnt	7
Recommendations	7
Annex 1 –Letter dated 26th August from CAWN and CAT to LS&CO detailing violations at Ajalpan	9
Annex 2 –E-mail dated 10th September LS&CO. to CAWN, MSN, and CAT	14
Annex 3 – Letter dated September 11th 2003 from CAWN,MSN and CAT to LS&CO raising concerns about LS&CO decision not to place further orders at Ajalpan	15
Annex 4 - List of actions taken by LS&CO, prepared by Michael Kobori, Director, Global Code of Conduct Levi Strauss & Co.	17

Addressing labour rights violations at Tarrant Ajalpan, Mexico using the Ethical Trading Initiative's complaints procedure

Introduction

This document seeks to provide a record of the dialogue between Levi Strauss and Co.(LS&CO), Central America Women's Network (CAWN) and the Workers Support Centre (CAT) concerning labour rights violations at Tarrant Ajalpan, Mexico, arising from a complaint brought by CAWN through the Ethical Trading Initiative.

The Ethical Trading Initiative (ETI) exists to identify and promote good practice in the implementation of corporate codes of conduct, including the monitoring and independent verification of the observance of code provisions. ETI's specific purpose is to enable its tripartite membership (corporations, trade unions and NGOs) to work together to identify and promote good practice in the credible implementation of corporate codes of conduct, based on international labour standards. From time to time information about alleged violations of codes of labour practice in workplaces supplying ETI corporate members is received by trade union or NGO members of ETI. This information is often supplied by trade union affiliates or NGO partners in the supplier countries and is then communicated to ETI member companies.

This complaint brought via ETI has to be set in the context of one of the many concerted actions carried out in an attempt to address the labour violations occurring in the Tarrant Ajalpan factory. There was an international campaigning coalition working on this case. The organisations involved included CAT in Mexico, the Workers Rights Consortium(WRC) in the US and Mexico, US/Labor Education in the America's Project, Maquila Solidarity Network, Canada, United Students Against Sweatshops, Sweatshop Watch, the Solidarity Centre, Mexico, and the Clean Clothes Campaign, Europe. A host of activities have been carried out by these organisations in co-ordination including an investigation by the WRC in Mexico of the violations at Tarrant, campaigning directed at the brands sourcing from the factory, engagement with these brands, lobbying of the Mexican government locally and internationally, lobbying of the US government in Mexico and in the US, demonstrations outside government buildings by ex Tarrant workers, presentation of a complaint in the US and Canada against the Mexican government for failure to implement national labour legislation via provisions in the North American Free Trade Agreement, and a public awareness raising tour in the US by workers from Tarrant who testified at the hearing of the NAFTA complaint.

Achievements of these efforts included significant action by the Limited (a brand sourcing from the factory with substantial leverage) sending in a Verite team to carry out monitoring. Interest by the relevant US authorities in Mexico. The acceptance of the complaint via NAFTA provision by the National Administrative Offices (NAO) in the US and Canada in record time.

When ETI was first established, members agreed that any alleged violations of this nature would be reported in the first instance to the ETI member company concerned, to allow the member to investigate and take remedial action before the alleged violation became a media issue (full procedure is available on www.ethicaltrade.org).

As well as resolving the issue, the intention is to promote communication and good working relationships amongst ETI members, in the spirit of working together to resolve breaches of the ETI code in supply chains, and building confidence that such an approach can produce results.

In late August 2003, Central America Women's Network(CAWN) as an affiliate to the Clean Clothes Campaign and ETI member was requested by the Workers Support Centre (CAT) to initiate an ETI complaints procedure concerning allegations of code violations at Tarrant Ajalpan factory in Mexico which was supplying to an ETI member company Levi Strauss and Co. (LS&CO).

The Maquila Solidarity Network (MSN) represented CAWN during a major part of the process and was invited by CAWN to continue to participate because of their substantial experience and expert knowledge in the field of labour rights in Mexico. To invoke the ETI code violation procedure CAWN wrote to LS&CO on behalf of CAT and workers at Tarrant Ajalpan detailing the code violations. The initiation of the ETI code violations process provided a "formal" forum in which negotiations between CAT, CAWN and LS&CO could take place.

It should be noted that LS&CO. was one of many companies that Tarrant Ajalpan was supplying to and that LS&CO.'s relationship with the factory had begun in May, 2003. LS&CO. was the first company that responded to NGO requests for dialogue and the only company to meet with workers and take formal action with government on this issue.

Record of the ETI complaint process

In late August 2003 CAWN wrote to LS&CO on behalf of CAT and workers at Tarrant Ajalpan detailing the code violations as a means to invoke the ETI code violation procedure.(see annex 1).The initiation of the ETI code violations process provided a "formal" forum in which dialogue between CAT, CAWN and LS&CO could take place. LS&CO agreed to a telephone conference with CAT and CAWN to agree the next steps in the process. To date there have been eight calls.

During the first call LS&CO agreed to send a third party monitoring team Verite to investigate the alleged labour rights violations.

Shortly after this call LS&CO informed CAT and the Maquila Solidarity Network (MSN) (acting on behalf of CAWN) that the Tarrant management refused to allow an independent investigation, begin negotiations with CAT and reinstate the eight workers. They also communicated that they would not be placing any future orders at Tarrant and the production of their current order would end in mid October 2003. This was communicated via an email (see Annex 2)

CAT, and MSN on behalf of CAWN felt it was inappropriate for LS&CO to end their business relationship with Tarrant and to communicate that decision to the company, without prior consultation and without additional efforts to pressure Tarrant to comply with Mexican labour law and the LS&CO's sourcing principles.(LS&CO were unable to provide documentation to verify that Tarrant do not want to continue business with LS&CO.)

CAT, MSN/CAWN communicated these issues to LS&CO in a letter (see annex 3) which included the following concerns:

- Send a third-party investigation team to Puebla to do off-site interviews to confirm violations that have and are taking place. Commit to making the report from that investigation public and that public report should include the

fact that LS&CO was denied access to the factory for a third-part audit and clear proposal for remediation.

- Commit to directly communicating with the workers in Ajalpan.
- Publicly cite the Workers Rights Consortium report as evidence of serious problems at Tarrant.
- Make serious efforts to involve other brands buying from Tarrant to pressure Tarrant to respect Mexican labour law.
- Communicate with the local Puebla government results of LS&CO's investigation and your concern over violations, especially freedom of association.

As a response to these concerns LS&CO (see annex 4)

- sent a letter to the Governor of Puebla (see annex 5) and other Mexican and U.S. government officials urging them to investigate these serious allegations and support workers in exercising their full legal rights to freedom of association.
- in its letter to the Governor of Puebla recognized the Worker Rights Consortium report on the Tarrant Ajalpan factory as raising serious allegations of code of conduct and labor law violations.
- shared its actions and concerns with other companies that may have been doing business with the factory or Tarrant.
- explained that Tarrant was unwilling to accept future business from LS&CO.

A third party investigation team was not sent to Puebla to carry out off site interviews. Nor was the concern expressed by CAT and CAWN regarding the nature of Levi's decision to end its relationship with Tarrant returned to on conference calls. Once the WRC report on Tarrant was made public, there seemed implicit agreement that a separate independent investigation was not needed. It was not raised again as an area for discussion by CAWN or CAT. It's important to note that the WRC report only deals with the issue of violations of freedom of association and not the range of alleged violations raised in the initial CAWN letter.

The Regional Terms of Engagement Manager from LS&CO did visit Puebla on September 18th 2003 and met with CAT and Tarrant workers. She also met with Tarrant management again to request an independent investigation of the allegations, and reinstatement of the eight workers in question. Both LS&CO and CAT viewed the visit as positive. LS&CO agreed to provide an interview to interested local press upon request.

In a teleconference October 2nd CAT requested a further letter to be sent to the Governor of Puebla before Oct 6th when the registration or not of the independent trade union would be announced. In response, LS&CO agreed to consult with their government affairs officer for advice on whether a letter or another form of follow up action would be most appropriate. There seemed implicit agreement that a letter may not be the most effective action in this case.

CAT also asked for LS&CO to re consider its decision to withdraw production from Tarrant. LS&CO reiterated its position that it could not consider renewing its business relationship with Tarrant unless Tarrant agreed to the stipulations set out in LS&CO's sourcing Code, the trade union was registered, LS&CO required this business and Tarrant agreed to do business with LS&CO.

CAT through international partners had been in contact with many brands buying from or whom had bought from Tarrant including Tommy Hilfiger, Federated Department Stores, Wet Seal, Charming Shoppes, Limited Brands, and Wal Mart, They requested LS&CO to do the same. LS&CO has been in communication with key buyers. (See annex 3.) LS&CO did not feel it would be appropriate for them to play a coordinating role in bringing united brand pressure to bear on Tarrant, nor do they believe it is the role of a private company to do this.

The registration for the trade union SUITTAR was denied on October 6th by the Local Conciliation and Arbitration Board of Puebla (JLCA).

The arguments given were:

- a. The original copy of the petition plus one photocopy were provided, when Mexican Federal Labor Law (LFT), Article 365 states that the original must be filed with "duplicate" copies.
- b. The date that the independent union was formed was the same as the date of the election of its executive committee representatives. The JLCA says these two events should have occurred on separate days.
- c. Information regarding the union's assets was omitted. However, according to an independent lawyer the trade union fulfilled the legal requirements law does not require specific information about the union's assets.
- d. Of the approximately 750 affiliated workers listed in SUITTAR's registro petition, the name of one of the representatives of the executive committee (María Guadalupe Martínez González) does not correspond with a name on the union's list of affiliates (Maura Guadalupe Martínez González).
- e. The union by-laws regarding disciplinary corrections are obscure and imprecise. An independent legal opinion concluded that the unions statutes do clearly address this point.

As part of SUITTAR's legal and political strategy to overturn the decision and win a collective bargaining agreement, they will appeal against the decision, and a well-known Mexican labor lawyer has written an independent legal analysis. SUITTAR is pursuing legal submissions before the National Administrative Offices of the North American Agreement on Labor Cooperation (NAO/NAALC), the ILO and the Organization for Economic Cooperation and Development (OECD).

CAT have developed a relationship with an official from the US Embassy in Mexico concerned with labour rights, Alyce Tidball, she has met with the dismissed workers and will be meeting with the JLCA and the Mexican Governor in Puebla.

LS&CO prepared a detailed letter to the Governor of Puebla and other Mexican and U.S. government officials based on the analysis made by both CAT lawyer and the independent lawyer.

CAT requested that LS&CO write a letter to the workers stating why they had ended their contract with Tarrant so it is clear it was not due to the workers trying to organise a trade union.

In response, LS&CO. stated that it is their policy to not communicate directly with employees of another company in such a case. LS&CO. is agreeable to sharing copies of its communications with Mexican government officials with the employees.

CAT asked LS&Co to consider its liability towards the workers who were unfairly sacked from their jobs whilst the factory was producing their orders, taking into account that LS&Co do not have a legal responsibility towards the workers. CAT suggested a donation was made to the workers fund.

LS&Co's response was that they do not feel it was appropriate to make a donation to the fund as it would dilute who is responsible for the workers directly. They stated that it is a sensitive issue within the company and discussions are on-going.

Alongside this process CAT and their allies in the US had engaged with other brands including the Limited who eventually commissioned Verite to carry out an audit at the Ajalpan factory. The report has not been made public but apparently confirmed most of the workers' main grievances that appear in the Worker Rights Consortium's investigation. The Limited have been in contact with LS&Co on joint lobbying actions etc

On March 24 2004, representatives of LS&CO. (Theresa Fay-Bustillos, Michael Kobori, and Leslie Croshaw) met with representatives from the CAT, Sweatshop Watch, and two laid-off workers from the factory, at LS&CO. headquarters in San Francisco. LS&Co agreed to submit a statement (Annex 5) to the NAFTA hearing that occurred on April 1.

Outstanding issues

- ◆ Workers were not reinstated at Tarrant and the factory has since closed.
- ◆ The trade union was not granted registration.

Learning and achievements

- There was overall agreement that the process facilitated dialogue between the LS&Co. and CAT.
- CAT felt that via the teleconferences some advances had been achieved, not all that they had hoped for but it had been a rare opportunity to speak regularly with a brand. They gave credit to LS&Co. for being the first brand to respond to the violations.
- For LS&Co. felt this experience had shown that open discussion and dialogue with NGOs was possible and can be positive. They have since been engaging with other NGOs in other regions.
- LS&Co. made efforts to engage with the Mexican and US government and other relevant brands on freedom of association.

Recommendations

- LS&Co. and NGOs agreed the need for early discussion on timeframe and next steps but for differing reasons. Levi felt it may enable more rapid resolution and for NGOs it may have enabled the actions taken to be more clear and transparent.
- LS&Co.'s also expressed the preference for clarity and agreement on confidentiality at the beginning of the process.
- NGOs felt that a trust building face to face meeting between retailer/brand and Southern organisation at the beginning of the process would have been useful and increased the pace of the process.
- Discussion is needed on what is the responsibility of the brand toward workers if the factory is clearly violating local legislation and the ETI base code yet the issue of compensation is not resolved locally? For example if the supplier factory pays either none or some severance pay but not the correct amount (as in the case of Tarrant).

REVIEW OF ETI GUIDELINES

- LS&Co. felt there needed to be an initial assessment to what extent the ETI guidelines applied to the situation in this case since the facility management were not co-operative.
- NGOs felt where brands/retailers have little leverage in a factory – there is a need for some kind of dialogue that establishes the parameters of the brands responsibilities in these cases and provides some guidelines.

Annex 1

Letter dated 26th August 2003 from CAWN and CAT to LS&CO detailing violations at Ajalpan

Levis Strauss and Co.
Ave Arnaud Fraiteur 15,23
Brussels
Belgium B1050

26th August 2003

Cc: Miriam Rodríguez, LS&Co., Neil Kearny,ITGWLF, Santiago Porto,ETI, CAT

Dear Pat,

Re: Code violations at Tarrant , Mexico

One of the organisations we have been working with, Workers Support Centre (Centro de Apoyo al Trabajador) or CAT in Mexico has requested that we initiate on their behalf the ETI code violations procedure in order to resolve a number of problems that workers have been experiencing in this factory. As requested they sent me the detailed information below in a format as suggested by the ETI violations procedure.

Name of supplier company:

Tarrant de México S. de R.L. de C.V. (Ajalpan, Puebla, México)

Identification of supplier site:

Carretera Tehuacán – Teotitlan Km.18, Ajalpan, Puebla, México, CP 75910

Link with ETI member company:

Tarrant México – Ajalpan is a direct provider of jeans for Levi Strauss & Co. At Ajalpan only one type of Levi's jean is currently on the production lines – Levi Strauss Signature which CAT has read is produced exclusively for distribution in Wal-Mart stores.

Alleged code breach:

2. Freedom of Association

2.1) The workers have never had a freely-elected union, or one that they consciously chose or supported. Recently when the workers began organizing their independent union, the Only Independent Union of Tarrant México Company Workers (SUITTAR, Sindicato Único Independiente de Trabajadores de la Empresa Tarrant México) both the Local Conciliation and Arbitration Board of Puebla (JLCA, Junta Local de Conciliación y Arbitraje) and the local news media reported that the workers already had a trade union, the FROC-CROC (Federación/Confederación Revolucionaria de Obreros y Campesinos). (see section on local complexities)

2.2) When the workers were in the process of trying to form SUITTAR recently, they were threatened and intimidated by Tarrant management telling them an independent union will not do any good. SUITTAR is still in the process of waiting the 60 days required by law to see whether the JLCA recognizes their independent union's petition for legal registration.

When the workers held their union assembly on July 12, 2003, they formed SUITTAR and elected leaders to formally represent them. Also, after their 3-day work stoppage between June 10-12, the workers nominated 8 co-workers to represent them as an ad-hoc negotiating coalition. These 8 workers, who also have leadership positions within SUITTAR, were all illegally dismissed on July 16, 2003, without a written reason and without receiving their legally entitled severance pay, both are violations of Mexican Federal Labor Law. Since that time, SUITTAR's organizational efforts have been severely hampered by continued worker dismissals, including 80% of the 20-person SUITTAR leadership committee who are now without work.

2.3) Worker testimonies and direct witness accounts have verified that the 8 initially dismissed union leaders were verbally taunted inside the factory by management before their July 16 dismissals, and that day were actually physically removed from the plant by company security. Since, verbal harassment has continued of these leaders and SUITTAR in general, as verified by friends and family members of the workers who remain working inside.

2.4) The legal registration of SUITTAR was filed before the JLCA on August 7, 2003, and since that day over 200 workers have been illegally dismissed from the plant. This has complicated SUITTAR's efforts to organize as 80% of its elected leadership are now unemployed. It appears as if the dismissals are anti-trade union reprisals, as verified by worker testimonies and eyewitness accounts of managers boasting about having dismissed the principle union leaders.

3. Working conditions are safe and hygienic

3.1) Workers have reported that the ventilation inside the factory is sporadic, and not everyone has equal access to ventilation. Also, some of the sewing machines do not work well and/or are outdated, and have caused injuries.

3.2) Neither current workers nor new workers are given a thorough introduction to health and safety practices by the company.

3.3) Workers have told CAT that there is not sufficient number of toilets to meet the needs of hundreds of workers and they regularly run out of toilet paper. The company's drinking water is "purified" on site, and workers have reported to CAT that it can taste quite bad from time to time.

4. Child labour should not be used

4.1) Workers have reported to CAT that there are, and have been, under-age workers of 13-15 years of age, and that when the representatives of brands come to inspect, these employees are taken to a nearby house and given videos to watch until the brands' representatives go away. They have not been able to verify how often this happens.

4.3) Workers of 16 and 17 years of age are continually treated like employees over the age of 18, they have to work the same hours as everyone else, including

overtime (usually forced) late into the evening and sometimes throughout the night until the next morning.

5. Living wages are paid

5.1) CAT has proof that workers earn from 300 to 900 Mexican pesos per week, which for the legal workweek (measured by a period of 7 days,) that works out less than the legal minimum wage of 52.00 pesos for machinists. In México employers often argue that this classification is specific to professional machinists, and that "maquila" employees should earn at least the 40.10 pesos set out as the minimum wage for the zone in which the factory in Puebla is located. For a machinist earning 40.10 measured over a period of 7 days, the total is 364 pesos per week. As already stated CAT have identified employees who earn only 300 per week.

5.2) CAT has interviewed workers who have never been given a pay stub, or have no written proof of how much they earn. Instead, as for all workers, there is an automatic bank machine attached to the factory where the money is deposited, and workers simply withdraw money with their bank card on pay days to take out what's been put into their accounts, without written proof of payment. This does not happen for everyone.

5.3) Unauthorized or illegal deductions are common place. For example, during the 3-day work stoppage in June, which was held because the company violated a Mexican law requiring profit sharing, the workers who went on strike were discounted the days that they were on strike.

Working hours are not excessive

6.1) Mexican labour law stipulates a 48 hour work week, but also that lunch breaks count as hours worked. At Tarrant workers officially work from 8 am until 6:00 pm from Monday to Friday, for a total of 50.5 hours worked. The company then deducts their 30-minute daily food breaks to reduce the total hours worked down to 48 hours. However, by law the food breaks should be included as hours worked.

6.2) Workers report that overtime is always forced, because when they enter the factory at the beginning of the day they must deposit their ID cards with barcodes at the door. They are not returned until the company permits them to leave, effectively locking them in the factory. Plus, if workers try to leave, they are both verbally threatened by management not to bother showing up for work again and then later discounted the whole day worked from their pay slips for not finishing the overtime. The company only ever records 12 hours of overtime on the workers' pay slips. When more hours are worked, the workers are not paid for them and they are not recorded on their pay slips. Workers report frequently having worked more than 12 hours of forced overtime in a week, including throughout the night until the early afternoon of the following day. Workers are regularly asked to work overtime on Thursdays and especially Fridays, knowing that if they don't they won't receive their pay slips on time for that week.

9. No harsh or inhumane treatment is allowed

9.1) Sexual harassment and verbal abuse are regular violations within the factory, and both women and men's testimonies have verified this. Frequently workers are threatened verbally to finish their daily production or face the consequences, called insulting names and publicly made fun of if they can't complete their work. Also, the 8

union leaders dismissed on July 16 were hauled out of the factory by force, including pushing and shoving which constitutes physical abuse.

The scale of the alleged problem: i.e. does it relate to a few employees, or a large proportion of the workforce? Is there immediate physical danger? How great is the breach of the code?

CAT has described many violations, most of which affect all employees. Women working under certain supervisors who regularly sexually harass their employees are constantly under threat. Trade union leaders who were sacked could be under threat of physical danger if they made a public appearance at the factory. There are a substantial number of breaches of the code.

Supporting information: Sufficient detail about the alleged non-compliant behaviour to establish the nature of the allegation (circumstances, time and place) and an indication of where corroborating information may be found.

SUITTAR has given the CAT written testimonies of the violations they have experienced, with dates, times, circumstances, etc. Plus the CAT has video and audio recordings of worker interviews. And most importantly, the Workers Rights Consortium has systematically collected information from workers involved and will make a public report this week August 25-29.

Is the allegation current? The organisation forwarding the allegation should satisfy itself that the situation is ongoing and has not been remedied by actions already taken.

Not only do the same violations continue, but they are rapidly worsening given the growing number of illegally dismissed workers (approximately 220 at the moment).

Is the grievance being pursued along other channels at the same time as lodging the allegation with the ETI member company?

As mentioned earlier, there is a protection contract union on site called the FROC-CROC, but no one has even seen them or heard from them, and they haven't supported workers in anyway. SUITTAR has filed a petition for their union's legal recognition (August 7), an initial demand to reinstall the 8 fired union leaders (August 7), an initial statement of grievances to be reconciled submitted on June 12 on the last day of the work stoppage, and this week are in the process of submitting another legal demand for the reinstallation of the newest batch of illegally dismissed workers – all of these are before the JLCA. And of course there is other advocacy under way from national and international solidarity groups who have contacted some of the brands and Tarrant itself to intervene on the workers' behalf.

Have the employees affected by the alleged code violation expressed their own preferences for a solution?

Yes, by submitting the initial list of grievances following the 3-day work stoppage, and later forming an independent union and submitting SUITTAR's registration on August 7, the workers have formally made known what they want: their union's legal registration, a negotiated collective bargaining agreement with the company, and the full reinstatement or compensation of the illegally dismissed workers.

Contact point: What is the name of the organisation originating the allegation in the supplier country and what are its contact details? Can it be contacted directly by the ETI member company?

Centro de Apoyo al Trabajador (CAT)
SUITTAR
Callejon Sonora No.1
Colonia Centro
Atlixco, Puebla, México
CP 74200
(52) (244) 446-3182
catpuebla@yahoo.com.mx

What is the relationship between the organisation making the allegation and the employees affected by the allegation?

The initial negotiating coalition following the 3-day work stoppage formally elected the CAT as their advisors and, through a process of skills training workshops, house visits and legal support, the CAT has fulfilled its role as SUITTAR's official advisors.

Other relevant organisations. Are there any other organisations in the vicinity of the workplace where the alleged code breach has occurred who it would be useful to contact during the investigation? What are their remits and contact details?

Arturo Alcalde, Asociación Nacional de Abogados Democráticos (ANAD), Labour lawyer
Rodrigo Olvera, CEREAL, Labour lawyer
{Both can be contacted via CAT}

Are there any local complexities that the ETI member company should be aware of before sending in investigators?

Yes, the workers are allegedly represented by a protection contract signed by Tarrant and the FROC-CROC union federation. As is the nature of these protection contracts, no one knows they exist until they serve a purpose to defend the company's anti-union position. Eventually, if and once SUITTAR is legally recognized, there will have to be a vote to decide whether workers want SUITTAR or the FROC-CROC to hold the collective bargaining rights.

8.3 If the allegation relates to employees being wrongfully dismissed, the names of the employees should be supplied.

The workers who are members of the SUITTAR committee, especially those that have already been fired, are already publicly known figures and their names can be

provided. However, all other workers need to be consulted and respected for their decision to provide or withhold their names.

Next steps

As we have already agreed by phone the next step will be a tele-conference with yourself, Miriam, representatives from CAT,CAWN and Santiago Porto from the ETI with the purpose of agreeing a "Memorandum of Understanding" as outlined in the codes violation procedure.

Yours Sincerely

Jane Turner
CAWN Co-ordinator

Annex 2

E mail dated 10th September 2003 from LS&CO. to CAWN, MSN, and CAT

Estimadas Lynda, Blanca, Gabriella y Catalina,

Les agradezco mucho que compartieran con nosotros sus puntos de vista con relación a los acontecimientos de la fábrica de Jamil Ajalpan.

Nosotros queremos confirmar con ustedes, los últimos acontecimientos y nuestros pasos a seguir.

A pesar de nuestros esfuerzos para aplicar todas las influencias que tenemos disponibles (por ejemplo: retiro de negocios futuros), la administración de la fábrica Jamil Ajalpan en Puebla, México (antiguamente Tarrant Ajalpan, ahora United Apparel Ventures) ha decidido no cooperar con una investigación independiente de las alegaciones o nuestra petición de reintegrar a los 8 empleados despedidos y de abrir conversaciones con el CAT.

Debido a esta decisión de la administración de UAV, Levi Strauss no pondrá nuevas ordenes con esta fábrica.

Nosotros terminaremos la producción que queda en la fábrica de manera ordenada, la cual se completara en las próximas semanas. Nosotros confiamos que este proceso de salida se hará en una forma muy organizada, tratando de minimizar cualquier interrupción que pudiera afectar los empleados de la fábrica.

Nosotros les comunicaremos a las autoridades gubernamentales locales sobre estos acontecimientos, incitándoles a que apliquen las leyes laborales mexicanas en este caso.

Estamos dispuestos a trabajar con otras marcas que actualmente estén haciendo negocios con esta fábrica, las cuales podrían tratar de persuadirnos a resolver este problema de incumplimiento.

Nos gustaría continuar las discusiones acerca de este problema con ustedes, para encontrar una resolución positiva a las alegaciones de la fábrica.

En espera de hablar con ustedes, el jueves a las 8:00 a.m. hora de San Francisco, 10:00 a.m. hora de México.

Me despido atentamente,

Michael Kobori
Director, Global Code of Conduct

Annex 3

Letter dated September 11th 2003 from CAWN,MSN and CAT to LS&CO raising concerns about LS&CO decision not to place further orders at Ajalpan

Date: Thursday, September 11, 2003

Memo to: Levi's

From: Blanca, Gaby and Catalina from CAT and Lynda from MSN (representing CAWN, NGO member of ETI)

Re: Tarrant, Levi's and workers' rights violations at Ajalpan

Dear Miriam, Pat, Michael:

We've had a chance now to discuss the decision taken by Levi's to end your business relationship with Tarrant and your proposal to meet with representatives of the Puebla government to discuss why you have taken this decision and the importance of the local government enforcing Mexican labour laws in its Puebla factories. We've also had an opportunity to consult with ETI NGO caucus representatives on the complaints process.

We believe that it was inappropriate for Levi's to make a decision to end your business relationship with Tarrant and to communicate that decision to the company, without more consultation and without additional efforts on your part to pressure Tarrant to comply with Mexican labour law and the Levi's sourcing principles. We believe the decision was a wrong one, and one that contradicts the principles of the ETI complaints process.

By ending a business relationship on the basis of Tarrant's refusal to allow third-party entry for an investigation, rather than Tarrant's refusal to implement a remediation plan based on verified violations, you have skipped key steps in trying to resolve this situation in a way that responds to the needs of workers producing for Levi's.

In addition, as we mentioned on the phone, we believe Levi's has a responsibility to communicate with the workers directly, and to document the violations that have been occurring while Levi's products were being sewn in the factory, whether or not Tarrant allows you access to that factory.

What should Levi's do? Reconsider your decision, and, instead undertake to do the following:

1. Send a third-party investigation team to Puebla to do off-site interviews to confirm violations that have and are taking place. Levi's should commit to making the report from that investigation public and that public report should include the fact that Levi's was denied access to the factory for a third-part audit and clear proposal for remediation.
2. Commit to directly communicating with the workers in Ajalpan.
3. Publicly cite the WRC report as evidence of serious problems at Tarrant.
4. Make serious efforts to involve other Tarrant buyers in the process to pressure Tarrant to respect Mexican labour law.
5. Communicate with the local Puebla government results of your investigation and your concern over violations, especially freedom of association.

It is only once the above steps have been taken, and Levi's exhausted any other possible avenues of action to leverage change within the Tarrant factory in line with corporate codes and national law that Levi's should consider ending its relationship with any Tarrant related company. At that point, we would expect to receive written confirmation that Levi's has informed Tarrant, United Apparel Ventures and Azteca Productions International (AZT International) that you are no longer placing orders with those companies in Mexico or any other parts of the world.

If Levi's is seriously willing to respond to this proposal, we would be pleased to have another conference call tomorrow. If not, we do not feel that a call at this time would be fruitful and will communicate to the ETI that we've reached an impasse and discuss with them how they suggest the

process proceeds. We will also be communicating our dissatisfaction with Levi's actions to our networks.

Sincerely,
Gaby, Catalina, Blanca and Lynda on behalf of
CAT, MSN/CAWN

Annex 4

List of actions taken by LS&CO

Prepared by Michael Kobori, Director, Global Code of Conduct
Levi Strauss & Co.

Background:

Levi Strauss & Co. (LS&CO.) began production at the Tarrant Ajalpan in Tehuacan, Mexico in May, 2003. Tarrant Ajalpan is the only Tarrant factory LS&CO. is doing business with. LS&CO. production represents less than 20 percent of current production in the factory.

LS&CO. was contacted in early August, 2003 by a number of Non-governmental organizations, including Centro de Apoyo al Trabajador (CAT), regarding alleged labor law violations of workers' rights at the Tarrant, Ajalpan factory. At that time, LS&CO. took the following steps:

- Requested additional information about the allegations from these organizations.
- Requested Tarrant management to agree to an independent investigation of the allegations, determine whether violations of LS&CO.'s Terms of Engagement (code of conduct) or Mexican labor law had occurred, and recommend remediation steps.
- Requested Tarrant management begin direct discussions with CAT and workers, and reinstate the 8 workers allegedly terminated illegally.

As part of its production agreement with all of its contractors, LS&CO. requires that its Terms of Engagement (TOE) be followed, that the contractor allow LS&CO. employees and independent external monitors to verify that the TOE is being followed, and that the contractor remediate any violations.

Failure to allow such monitoring or failure to remediate violations of TOE is grounds for ending a production agreement with the contractor. LS&CO. reluctantly takes this step when a contractor is unwilling to cooperate on TOE monitoring or remediating violations.

After reviewing the LS&CO. requests, Tarrant management informed LS&CO. that they refused to conduct an independent investigation, begin direct discussions with CAT and workers, and reinstate the 8 workers.

Tarrant management has also informed LS&CO. that they do not want to continue doing business with LS&CO. at Tarrant Ajalpan or any other facility.

Given Tarrant's decision to not do business with LS&CO. and their refusal to cooperate with LS&CO.'s Terms of Engagement, Levi's will not be placing any future production with any facility of Tarrant or United Apparel Ventures, the company that currently manages the Tarrant, Ajalpan facility.

Summary of Additional Actions to Date:

- LS&CO.'s Regional Terms of Engagement Manager visited Puebla on September 18 and met with CAT representatives and X workers from the factory to learn more about their concerns and discuss ways we could be helpful in addressing the situation. During this visit, Tarrant, Ajalpan workers expressed their understanding that Levi's would not be continuing to do business with the factory and their appreciation for Levi's efforts.
- During this same visit, the Regional Terms of Engagement Manager met with factory management to again request an independent investigation of the allegations, reinstatement of the eight workers in question, and to begin its own direct discussions with CAT and workers to understand and address workers' concerns.
- LS&CO. has sent the attached letter to the Governor of Puebla and other Mexican and U.S. government officials urging them to investigate these serious allegations and support workers in exercising their full legal rights to freedom of association.
- In its letter to the Governor of Puebla, LS&CO. has recognized the Worker Rights Consortium report on the Tarrant Ajalpan factory as raising serious allegations of code of conduct and labor law violations.
- LS&CO. has shared its actions and concerns with other companies that may have been doing business with the factory or Tarrant.
- LS&CO. has shared its actions with a number of non-governmental organizations as well as with the media.

Next Steps:

- LS&CO. will follow up with the Governor of Puebla and other Mexican and U.S. government officials to urge them to continue to investigate these allegations and support workers in exercising their full legal rights to freedom of association.
- LS&CO. will share its actions and concerns with other companies that may have been doing business with the Tarrant Ajalpan factory or Tarrant.
- LS&CO. will continue to respond publicly to inquiries regarding its actions at the Tarrant Ajalpan factory.

ANNEX 5

Report submitted by LS&CO to the NAFTA hearing that occurred on April 1.

March 31, 2004

Mr. Lewis Karesh
Acting Secretary, U.S. National Administrative Office
U.S. Department of Labor
200 Constitution Avenue, NW.
Room S-5205
Washington, DC 20210
Via email: usnao@dol.org

Re: Public Communication Concerning US Submission 2003-01

Dear Mr. Karesh,

As indicated in a prior message, I would like to submit comments on behalf of Levi Strauss & Co. to the National Administrative Office (NAO) concerning US Submission 2003-01.

You will find our comments attached.

Respectfully submitted,

Bruce R. Moats
Corporate Vice President
of Worldwide Government Affairs & Public Policy

Attachment:
As stated

**PUBLIC COMMUNICATION
ON LABOR LAW MATTERS ARISING IN MEXICO
(U.S. Submission 2003-01)**

**SUBMITTED TO:
US National Administrative Office
North American Agreement on Labor Cooperation
US Department of Labor**

**SUBMITTED BY:
Levi Strauss & Company**

March 31, 2004

This communication is submitted to the US National Administrative Office (NAO) as part of the effort to gather information on issues raised in US Submission 2003-01 with respect to the enforcement of Mexican labor laws at the garment factory operated by Tarrant México in Ajalpan, Puebla. The issues raised in US Submission 2003-01 include freedom of association, the right to bargain collectively, minimum employment standards, occupational safety and health, and access to fair, equitable and transparent labor tribunal proceedings.

Background

As a matter of longstanding corporate policy, since 1991 Levi Strauss & Co. (LS&CO.) implements a comprehensive ethical code of conduct for all manufacturing and finishing contractors who work with us. This code, known as the *Global Sourcing and Operating Guidelines* (as attached), mandates ethical business practices, including respect for internationally recognized core labor rights. We have broad experience in implementing this code on a worldwide basis, including substantial experience with a variety of contractors in Mexico.

Our code of conduct requires that we do business only with partners who provide wages and benefits that comply with any applicable domestic law and are consistent with best practices in the local manufacturing or finishing industry.

In addition, our suppliers must respect the right to free association and the right to organize and bargain collectively without unlawful interference. Our business partners must ensure that workers who make such decisions or participate in such organizations are not the object of discrimination or punitive disciplinary actions, and that the representatives of such organizations have access to their members under conditions established either by local laws or mutual agreement between the employer and the worker organizations.

We are not an isolated case of ethical business practices among US firms with global interests. Since LS&CO. adopted its code of conduct, many other US firms have put in place similar codes and now implement guidelines to ensure ethical business practices, including respect for core workers rights. We have pointed out to a number of governments, including the government of Mexico, as well as multilateral organizations, including the World Bank's IFC, that respect for core labor rights has become a necessary element of international business relationships and is required for a successful trade relationship at the national level.

LS&CO. Terms of Engagement (TOE) Implementation

All LS&CO. contract suppliers involved in the cutting, sewing or finishing of the company's branded products must comply with the TOE. Prior to engaging in a business relationship with a supplier, the specific facility that will produce the LS&CO. products is assessed to ensure compliance to the TOE guidelines.

The formal assessment consists of: interviews with the facility management; a review of personnel, wage and working hour records; a physical walk-through and inspection of safety conditions in the factory and dormitories if they exist; and worker interviews.

If corrective actions are required, then a corrective action plan is developed in cooperation with the contractor. Follow-up visits occur to verify implementation of agreed upon action items.

LS&CO.'s policy is to work with our suppliers to meet our Terms of Engagement. However, when a supplier is not committed to working with us to meet our Terms of Engagement standards, and is unwilling to cooperate in an independent investigation, our policy is to cease doing business with that supplier.

To that end, in May, 2003, Levi Strauss & Co. conducted a Terms of Engagement assessment of the Tarrant factory in Ajalpan, as part of our due diligence for prior to placing production there. We identified as part of that review Terms of Engagement violations, including non-payment of proper overtime wages and excessive overtime hours. At that time, factory management was responsive to meeting our Terms of Engagement and agreed to address issues that were identified.

In June, 2003, Levi Strauss & Co. conducted a follow up visit to the factory and confirmed that employees had received back wages owed to them, an unsatisfactory manager had been replaced, and that employees were no longer working excessive overtime.

In July, 2003, Tarrant advised for business reasons, to terminate their business relationship with Levi Strauss & Co.

In August, 2003, Levi Strauss & Co. became aware of allegations regarding Tarrant Ajalpan factory workers right to freedom of association. We immediately contacted the organizations that had raised these allegations to obtain additional information. We also began to arrange for our own and an independent investigation of the allegations.

LS&CO. was in the process of obtaining factory management's cooperation with this investigation when we learned that the management of the company had changed. We requested the new management to cooperate with the independent investigation. Further, we informed the new management that failure to agree to an independent investigation would violate LS&CO.'s Terms of Engagement.

On September 8, 2004, management of the factory informed LS&CO. they would not be willing to cooperate in an investigation and confirmed that they would bring their business relationship with LS&CO. to an end. Levi Strauss & Co. formally exited the Tarrant facility in October 2003.

LS&CO. Communication with Mexican Government

After becoming aware in August 2003 that a credible organization alleged worker rights violations at the Tarrant México facility and because we view worker rights as a high priority, LS&CO. immediately communicated our concerns (see Attachment One) to both the Mexican and US governments. Our goal was to ensure that these allegations would receive careful scrutiny in order that any violations of Mexican law could be quickly corrected.

At the same time, we received information concerning the efforts of workers to organize and establish a registered trade union for the purpose of collective bargaining. We expressed our interest in these efforts to the Mexican and US governments

In October 2003, we received additional information that the workers' request to register a trade union had been denied and was under appeal. We again contacted the Mexican and US governments (see Attachment Two) expressing our concern and encouraging the local authorities to give the matter their full and careful attention.

NAO Action

LS&CO. firmly supports the current efforts by the NAO to gather information relating to US Submission 2003-01. Given the seriousness of the allegations and the potential impact on the US-Mexican trade relationship, it is vital that the issues raised in the submission be thoroughly and carefully investigated.

We would also support cooperative consultations between the US NAO and the Mexican NAO under Article 21¹ of the NAALC with a view to enlisting the assistance of Mexican federal, state and local

¹ Article 21 states: "A NAO may request consultation [...] with another NAO in relation to the other Party's labor law, its administration, or labor market conditions in its territory."

government officials in investigating the allegations in US Submission 2003-01 and in rectifying any violations of Mexican labor laws and any instances of inadequate enforcement of those laws that may be discovered.

The allegations in US Submission 2003-01 are extremely serious. If the NAO's investigation buttresses the claims in the submission, LS&CO. would support a US request for ministerial-level consultations with Mexico on the matter.

ATTACHMENT ONE

September 15, 2003

The Honorable
Governor Melquiades Morales Flores
14 Oriente, No. 1204
Colonia El Alto Puebla
Puebla, Mexico

Dear Governor Morales:

I am writing on behalf of Levi Straus & Co. (LS&CO.) to express deep concern about serious allegations of labor law violations at an apparel factory in your state, and to urge you to take immediate appropriate action. Throughout our history of substantial imports of Mexican-made apparel, LS&CO. has been firmly committed to internationally recognized core labor standards.

A respected international organization, the Worker Rights Consortium, has just released a report alleging that managers of the Tarrant Ajalpan factory in Puebla violated their workers' rights to freedom of association and collective bargaining. We are particularly concerned about allegations that employees of the plant were illegally discharged. We urge your administration to work with the state labor board to devote full attention to the investigation of these serious allegations and to order timely re-instatement of these workers if your investigation concludes that the allegations are true.

In addition to these allegations of past violations, we are closely monitoring ongoing efforts by an independent union to organize workers at the Tarrant Ajalpan factory. It is essential that your government ensure that these workers can exercise their full legal rights in this process so that they can be represented by the union of their choice. To that end, we urge you to work closely with the state labor board to expeditiously grant legal registration to the pending application by the new union 'Sindicato Unico Independiente de Trabajadores de la Empresa Tarrant Mexico' (SUITTAR).

We firmly believe that strong enforcement of labor laws and guarantees of full worker rights are in the best interest of all parties and are crucial to Mexico's continued preferential access to the U.S. apparel market. Please do not hesitate to contact me on 415-501-2295 should you need additional information.

Respectfully submitted,

Bruce R. Moats
Corporate Vice President
of Worldwide Government Affairs & Public Policy

cc: The Honorable Antonio Garza, U.S. Ambassador to Mexico
The Honorable Juan Jose Bremer Martino, Mexican Ambassador to the U.S.
Lic. Armando Toxqui Quintero, President Local Conciliation & Arbitration Board of Puebla

ATTACHMENT TWO

October 22, 2003

The Honorable

Governor Melquiades Morales Flores
14 Oriente, No. 1204
Colonia El Alto Puebla
Puebla, Mexico

Dear Governor Morales:

Last month I wrote to you on behalf of Levi Strauss & Co. (LS&CO.) expressing concern about labor conditions at the Tarrant Ajalpan factory. We continue to be troubled by allegations made about the facility.

Our concerns were heightened by the recent decision of the state labor board not to grant legal registration to the Sindicato Unico Independiente de Trabajadores de la Empresa Tarrant Mexico (SUITTAR) to represent workers at the facility. I understand that this decision is currently being reviewed, and that a decision on that review is imminent.

LS&CO. carefully considers national labor regimes when making sourcing decisions. We look not only to the strength of a nation's legal framework for worker rights, but also to whether statutes and regulations are implemented in a manner which ensures workers the ability to fully exercise these rights. This includes the right to form and join organizations of their choice. The final decision on SUITTAR's application for registration will be closely watched as an indicator of worker rights in Puebla and throughout Mexico.

We hope that you share our concerns, and that you will view the situation at the Tarrant Ajalpan facility as seriously as we do. Please do not hesitate to contact me on (415) 501-2295 should you need additional information.

Respectfully submitted,

Bruce R. Moats
Corporate Vice President
of Worldwide Government Affairs & Public Policy

cc: The Honorable Antonio Garza, U.S. Ambassador to Mexico
The Honorable Juan Jose Bremer Martino, Mexican Ambassador to the United States
Lic. Armando Toxqui Quintero, President Local Conciliation & Arbitration Board of Puebla