

Declaration of country specific risks Pakistan

Introduction

In accordance with the OECD Due Diligence Guidance, we perform a regular supply chain risk analysis. In this document we like to share relevant points that have been identified during our risk analysis as topics that are seen as most likely to happen in Pakistan. This is reflected in research, media coverage, audit results, Fair Wear's country study, information from NGO's and based on our own experiences. These insights can help us together conducting (human rights-) due diligence which is an ongoing risk management process to identify, prevent and mitigate risks. By signing this document, you declare to be aware of these risks and will take action to mitigate the exposure to these potential risks. Pakistan is the fourth largest cotton producer in the world and ranks third in terms of yarn production. Pakistan's manufacturing industry, of which garment and textile form a key sector, is the second largest tier of the economy after agriculture.

1. Discrimination and Gender

Gender equality is a key component to realising the rights to safe, dignified, properly paid employment. Although Pakistan has ratified [ILO Conventions](#) and the United Nations Convention on the Elimination of All Forms of Discrimination against Women ([CEDAW](#)) to protect workers from discrimination and promote gender equality at work. Pakistan ranked 151 out of 153 countries in the Global Gender Gap Index and is the lowest ranked in South Asia¹. We do not accept any form of discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

We ask you to commit to work towards the goals set regarding gender inclusiveness:

- 1) At least 50% of the worker representatives is female
- 2) At least 10% of the management positions is held by females
- 3) Frequently organise trainings for management and workers to promote social dialogue in the workplace.

¹World Economic Forum: http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

Are you aware of the obligation to protect workers from discrimination and promote gender equality?

- Yes
 No

What steps you did/will you take to take your responsibility?

Please briefly describe how you take your responsibility

Click here to enter text.

How do you prevent and mitigate this risk?

- We have a policy in place regarding gender equality and sexual harassment (*please attach*)
- Through audit and compliance programs
- We train workers, supervisors and management on how to identify, prevent and address gender-based violence and harassment
- We have a functioning Internal Complaints Committee (ICC) or internal grievance mechanism*
- We have an external grievance mechanism in place*
- We engage with (local) NGO's on this issue. Name: Click here to enter text.
- Other: Click here to enter text.

**In case you have a complaint/grievance mechanism in place:*

Were there any complaints regarding this topic? If yes, how many? Click here to enter text.

How did you handle these complaints? Click here to enter text.

2. Living wage

A living wage is defined as a wage paid for a standard working week that meets the basic needs of workers and their families and provides some discretionary income. 'Basic needs' further includes costs like housing (with basic facilities including electricity), nutrition, clothing, healthcare, education, drinking water, childcare, transport, and savings. In Pakistan, minimum wage compliance already appears to be challenging. Our code of conduct has recognised workers' right to a living wage, as aligned with the ILO Conventions.

Are you able to provide cost breakdowns, including labour costs, on product level?

- Yes
- No

Are you able to provide a composite of direct and indirect labour costs divided by a factory's capacity minutes?

If yes, please share your analysis

- Yes [Click here to enter text.](#)
- No

How do you work on the wage topic?

- We have a policy in place regarding the payment of a minimum wage
- We have a policy in place regarding the payment of a living wage
- Through audit and compliance programs we can show we are paying a minimum wage
- Through audit and compliance programs we can show we are paying above minimum wage
- We consult workers on the wage topic
- We consult local unions/NGO's on the wage topic. Name: [Click here to enter text.](#)
- We engage with brands on this issue. Name: [Click here to enter text.](#)
- Other: [Click here to enter text.](#)

3. Freedom of Association, Social dialogue and Collective Bargaining

If employees are united and strong, can make their voice heard collectively, and can negotiate about their rights and conditions at work, there is a good chance that their situation and rights will also improve in other respects. The process of workers and employers engaging in dialogue to discuss terms and conditions of work is called social dialogue.

Pakistan has ratified [ILO Conventions 98](#) and [ILO Convention 87](#) on freedom of association and the right to collective bargaining, however, the state of unionisation in Pakistan remains very challenging as only 2.2% of the workforce is unionised.

Freedom of Association and the Right to Collective Bargaining means the following, at a minimum:

- freedom of association;
- the right of employees to organize themselves into trade unions;
- the right to collective bargaining;
- the right to strike

Are you able to provide cost breakdowns, including labour costs, on product level?

- Yes
 No

How is independent worker representation organized at your factory?

- We have a written policy regarding freedom of association and social dialogue
 There is a registered active trade union
 By an active and independent local trade union
 By an effective worker representative committee (WRC) / Worker Management Council
 By an elected workers council
 By an independent worker representation committee
 By a health and safety committee
 By an anti-harassment committee
 By a well-functioning internal grievance mechanism*
 Implemented the FWF complaints mechanism*
 We raise awareness of the importance of worker representatives and social dialogue
 We engage with (local) NGO's on this issue. Name: [Click here to enter text.](#)

**In case you have a grievance mechanism in place:*

Were there any complaints regarding wages? If yes, how many? [Click here to enter text.](#)

How did you handle these complaints? [Click here to enter text.](#)

Are labour conditions collectively negotiated? Is there a collective bargaining agreement that applies to your factory? Who are the negotiating parties of this agreement?

[Click here to enter text.](#)

4. Effects climate change

Pakistan is amongst the top few countries being impacted due to climate change. This has major impact on the industry as agriculture could be impacted by floods and extreme temperatures. In relation to the climate change, energy and water scarcity occur.

Water

According to a recent [IMF report](#), Pakistan ranks 3rd in the world among countries facing acute water shortage. Karachi is at the highest risk and industry in the region has been investing in this for a while now. UNDP and the Pakistan Council of Research in Water Resources (PCRWR) also have warned that the South Asian country will reach absolute water scarcity by 2025. Pakistan has the world's fourth-highest rate of water use. Its water intensity rate — the amount of water, in cubic meters, used per unit of GDP — is the world's highest.

Do you have an alternative to cover shortages of water?

- Yes, please explain what kind of options: [Click here to enter text.](#)
- No

Were you aware of this risk?

- Yes
- No

5. Energy power cuts

Many production countries are struggling with a severe shortage of electricity, resulting in power cuts and blackouts. This could lead to production interruptions and therefore, also put a risk on code of conduct principles (e.g. overtime to make up for production losses). Specifically for the energy shortage in Pakistan, there is a platform *Net Zero Pakistan* established.

Do you have an alternative/emergency power supply to cover shortages of power cuts?

- Yes, please explain: [Click here to enter text.](#)
- No

Are you making use of renewable energy such as using agriculture waste like rice husk, corn cob, etc.?

- Yes
- No

Are you a member of the platform Net Zero Pakistan?

- Yes
- No

6. Financial stability

Undertaking a contract with a financially unstable supplier could result in issues such as interrupted supply, or decreased quality of the product if the supplier must cut costs in order to make profit. Or worse, that the supplier business could fail.

Please describe the ownership structure of the business entity and support this with evidence

Click here to enter text.

Please provide a cash flow statement for the past 2 years to measure if your business has a positive liquidity (in Pakistani rupee)

- 2020 Click here to enter text.
- 2021 Click here to enter text.

Solvency ratio (the ability of your business to pay off its debts and obligations)

Please mention in %.

Click here to enter text.

Please list your 3 biggest customers.

	<i>Customer name</i>	<i>% of the production capacity per customer</i>
○ Customer 1	Click here to enter text.	Click here to enter text.
○ Customer 2	Click here to enter text.	Click here to enter text.
○ Customer 3	Click here to enter text.	Click here to enter text.

NOTE: please provide published financial statements and/or other documents to support your answers above.

By signing this document you declare to be aware of these risks and take action to mitigate the exposure to these potential risks.

Date: Click here to enter text.

Supplier: Click here to enter text.

Name MD: Click here to enter text.

Signature:

Company stamp:

