

Investigation Report

Name of the Factory: Shahi Exports Private Limited,
Unit 26, Maddur - Karnataka

Submitted to:

Fair Labour Association (FLA)

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Submitted by:



Table of Contents

LIST OF ABBREVIATIONS	2
1. INTRODUCTION.....	3
2. BRIEF PROFILE OF THE COMPANY AND THE FACTORY	3
3. METHODOLOGY ADOPTED FOR THE INVESTIGATION.....	4
4. FINDINGS ON THE ALLEGATIONS RECEIVED.....	6
4.1. FREEDOM OF ASSOCIATION	6
4.2. HARASSMENT AND ABUSE	7
4.3. HEALTH AND SAFETY	9
5. RECOMMENDATIONS	10

LIST OF ABBREVIATIONS

Abbreviations	Full Form
CoC	Code of Conduct
CTPAT	Custom Trade Partnership Against Terrorism
DSP	Deputy Superintendent of Police
EHS	Environment, Health and Safety
FIR	First Information Report
FLA	Fair Labor Association
FOA	Freedom of Association
GATWU	Garment and Textile Workers Union
GIFW	Gathering Information from Workers
GLU	Garment Labour Union
HR	Human Resource
H&S	Health and Safety
ICC	Internal Complaints Committee
MMR	Man Machine Ratio
POSH	Prevention of Sexual Harassment
PPE	Personal Protective Equipment
PPT	Power Point
SOP	Standard Operating Procedure
T&L	Training and Learning

1. INTRODUCTION

In November 2021, the Fair Labor Association (FLA) received a complaint from Garment Labour Union (GLU), Bangalore (“the Union”), concerning allegations in the factory Shahi Exports Private Limited, Unit 26, located at Maddur, Mandya District, Karnataka, India, which are related to Freedom of Association (FOA), Harassment and Abuse, and Health and Safety. After a careful review and detailed consultation with its member company Nike, which sources from the Shahi factory, FLA decided to initiate a Third Party Complaint assessment of these allegations related to factory practices alleged as being in noncompliance with FLA’s Code of Conduct and Compliance Benchmarks.

ASK received a request from FLA and Nike to conduct a fact-based unbiased assessment and to submit a comprehensive report, including recommendations, if any, on the allegations received from GLU pertaining to the factory. The issues and concerns raised by the Garment Labour Union pertaining to the above-mentioned factory and which were under the scope of this investigation included:

- **Freedom of Association**
- **Harassment and Abuse**
- **Health and Safety**

A detailed assessment was conducted in Maddur from November 04 to 06, 2022.

2. BRIEF PROFILE OF THE COMPANY AND THE FACTORY

Based on the information provided and presentation made by the Management, the Company (Shahi Exports Private Limited) was established in 1975. The Corporate office of Shahi Exports is located at Faridabad and its branch offices are located at Sarjapur Road and Bannerghatta Road, Bangalore, Karnataka. Presently it is operating with 65 factories and 3 processing mills across 10 states. Shahi Exports is India’s largest exporter of ready-made garments, working with the world’s biggest brands, employing over 100,000 plus employees all over India. Table 1 below provides an overview of the Factory.

Table 1: Overview of the Factory¹:

Name of the Factory	Shahi Exports Private Limited, Unit 26
Year of Establishment	August 2010
Total Number of Workers	5406 (as of the dates of assessment)
Total Sewing Machines	2550 productive machines in 90 lines (1:1.80 Man Machine Ratio: MMR)
Processes	Comprises of Fabric, Trims, Cutting, Embroidery, Printing, Stitching, Washing, Finishing, Packing and Dispatch.
Production Capacity	The Factory (unit 26) is specialized in Knits Tops, Crew Neck, Polo T Shirts, Hooded Jackets, Fleece Jackets, Kids Garments, Bottoms and Track Pants.

¹ Based on the information/data provided by the Factory Management

	<p>Production Capacity: Production of around 45,000 pieces per day from all 3 Manufacturing buildings, washing capability of around 2000 Kgs/ 250000 pieces per month, Embroidery capability of around 12000 pieces of panels per day and Printing capability of around 15000 pieces of panels per day</p>
Total Number of Buildings	<p>Production flow comprises of 4 buildings as below:</p> <ul style="list-style-type: none"> ❑ Building 1 - Process Includes - Cutting, Stitching, Finishing and Packing with a workforce of around 1981. ❑ Building 2 - Process Includes -Cutting, Stitching, Washing, Finishing and Packing with a workforce of around 1986. ❑ Building 3 - Cutting, Stitching, Finishing and Packing with a workforce of around 1439. ❑ Building 4 - Comprises of Fabric, Bit Washing, Embroidery, Printing, Gerber Cutting, Centralized C-TPAT with a workforce of around 450 employees. <p>While the 1st Unit was started operating in 2010, remaining 3 Units started in 2011. All 4 buildings/units are registered together under 1 single Factory License as 1 single factory.</p>
Operational Hours at the time of the investigation	<p>General Shift (Production): 8.5 hours including ½ an hour of Lunch Break: 9 am to 5.30 pm</p> <p>Special processing departments such as Washing, Printing & Embroidery etc. work in Shifts (with 8 working hours):</p> <ul style="list-style-type: none"> ● 1st Shift: 6 am to 2 pm ● 2nd Shift: 2 pm to 10 pm and ● 3rd Shift: 10 pm to 6 am

3. METHODOLOGY ADOPTED FOR THE INVESTIGATION

The methodology adopted for this investigation comprised of the following data collection methods:

- **Document Review:** All relevant documents in relation to the scope of this investigation were reviewed that were maintained, available and provided by the factory. List of the records reviewed is provided below:

- ✓ **Company and Factory Profile (PPT)**
- ✓ **Grievance Reporting and Redressal Records (Grievance/Complaint Register)**
- ✓ **Policy and procedure documents:** Freedom of Association and Right to Collective Bargaining, Grievance Redressal, General Work Environment, Heat Stress Management, Risk Analysis for Pregnant Women, Disciplinary Procedure, Works Committee, Environment-Health & Safety (EHS), Termination of Employment Procedure, Personal Protective Equipment (PPE), Sanitation, Code of Conduct (CoC), Anti-harassment and Abuse, Anti-Discrimination, Women Rights, SoP (Standard Operating Procedure) for Suggestion/Complaint Box, Non-Retaliation, Handling of Complaints and Confidential

Appeal and Prevention of Sexual Harassment. Postings of the policies and procedures on the production floor were also seen.

- ✓ **Document related to different committees** (Health, Safety and Environment Committee, Canteen Committee, Grievance Handling Committee, Works Committee and Internal Complaints Committee: ICC) - Current members, Minutes of the meetings, Election/Selection Related Records, Nomination Rejection related records, posting of Committee members lists and meeting minutes on production floor etc.
 - ✓ **Worker Training Documents:** Induction and orientation related documents/ records, records of trainings on different relevant policies and procedures, including grievance redressal, non-discrimination and anti-harassment/abuse.
 - ✓ **Management Response (to Nike) on Allegations made by GLU**
 - ✓ **Plus,** the case file of the woman worker who lodged complaints of caste discrimination and sexual harassment by Management Representatives and was under suspension (with full wages) at the time of the assessment. It also looked into the legal documents like the Report B (closure report by police for a caste discrimination related complaint lodged by the woman), Internal Investigation Reports (for the sexual harassment related case, which was closed by the Factory Women Welfare Committee) etc.
- **Gathering Information from Workers (GIFW):** Workers were engaged in discussions at the production floors, canteen and other places; inside and outside the factory. They were informed about the purpose of the discussions and given confidence that their anonymity would be protected in the reporting process. All types of workers were engaged both onsite and offsite. A total of 148 workers, participated in the GIFW process, combining onsite and offsite, through one to one and group discussions (94 onsite including various committee members and 54 offsite, including both subscription based members of GLU and non-member general workers). The workers met onsite and offsite were different. Some of the GLU members met are also members of another union GATWU, which started working in the area before GLU.
 - **Discussions with Relevant Committees:** Intensive discussions were conducted with the Health, Safety and Environment Committee, Canteen Committee, Grievance Handling Committee, Works Committee and Internal Complaints Committee members. The objective was to understand the formation (including election/section processes), functioning of the committees, knowledge of the worker members on the GLU allegations, functioning of the factory, grievances reported by workers to the Committees during past one year and mechanism of addressing the same.
 - **Management Discussions and Record Review:** A detailed discussion with the management representatives, including HR and Compliance team members, was done to understand “internal management system” within the factory including existence of relevant policies and standard operating procedures, allocation of responsibilities for implementation of the same and also to understand the chronology and management point of view towards the allegations. All relevant records/documents including legal reports related to allegations made by one lady worker for caste discrimination and sexual harassment (like the FIR for the allegations of caste discrimination, Charge Sheet issued by the factory for suspension, copy of the suspension orders and records related to the domestic enquiry, Internal investigation reports related to the sexual harassment related grievance etc.) were also reviewed. Interactions were held with total five Management

Representatives, including Senior General Manager (HR) and General Manager: HR and Compliance.

- **Engagement with other relevant stakeholders :** In addition to the workers and management of the factory, the investigation team also engaged with the representatives from the union (GLU) to get their versions on the allegations. However, though there was a plan to meet the relevant representatives from Police (who were involved in investigating the case pertaining to caste discrimination with 1 female worker), and Labour department (where another male worker and GLU leader at local level lodged complaint of demotions and salary deductions), the same could not be done due to their unavailability at the time of this assessment.

Process related notes: While the Management participated in all discussions, provided unrestricted access to all records/documents as asked from them by the investigation team, and also to the production floors, other facilities at all the units, committee members, and onsite workers, the worker interviewers noted that after completion of the interviews on floor, supervisors were approaching the workers to enquire about what questions were asked by the auditors plus a few management persons were also taking rounds on the floor.

During off-site group discussions and individual interviews, all 54 workers shared that they were “warned” about the investigation and the interview process prior to the investigation and were told by the management not to speak or respond against the factory management otherwise they would face “dire consequences”, which prevented workers to share any concerns onsite with the auditors, and they could become open only during offsite. They were informed about the investigation to be happened in the factory and were asked to come early than usual on the audit days and clean their respective work stations.

In general, workers were not open during onsite discussions (apart from sharing health/safety related concerns) and had apprehensions and fear in sharing their concerns/grievances, as noticed by the auditors during the floor visits, be it the committee members, union members or the other workers. However, offsite they were very open and all 54 workers, combining both Union and Non-Union people, shared all of their concerns, experiences and opinions very openly with the investigation team members.

4. FINDINGS ON THE ALLEGATIONS RECEIVED

This section describes the key findings of the investigation on the allegations made on issues concerning Freedom of Association, Harassment and Abuse, and Health and Safety. The findings presented include the outputs of discussions with both Management and Workers (onsite and offsite) and document and record reviews at the factory, wherever applicable.

4.1. FREEDOM OF ASSOCIATION

Main Findings:

- There is no recognised union in the factory.

- 250 out of total 5406 workers have taken membership in GLU. GLU is not recognised by the factory management.
- During the off-site 12 workers who are not member of any union shared that they are discouraged by the factory management from interacting with workers associated with GLU.
- 35 offsite workers shared that Management discourages workers from attending gate meetings organised by GLU.
- No discrimination was found of excluding workers who are member of GLU to be part of various factory level committees. However, the review of factory records brought forth that the reasons of rejections of worker's applications for becoming committee members 'unreasonable' in 10 out 16 rejection cases.

4.2. HARASSMENT AND ABUSE

Main Findings:

- A Complaint of Sexual Harassment against Management Employees was lodged by one of the woman workers with ICC (then Women Welfare Committee) in the year 2018. The matter was closed by the Women Welfare Committee of the factory after their internal investigation as no evidence was found to prove the allegation. The said woman worker was later placed under suspension (with full wages) from 10/2/2022 onwards on the allegations of "her threatening fellow employees of dragging them to court by levying false charges on them". The matter is under another "internal domestic enquiry" that has been initiated by the Management from April 2022. No conclusion has been reached on the matter yet. Other than the allegation made by the said woman worker, 24 other workers met during the offsite, confirmed the allegation made by the woman worker that she was indeed subjected to sexual harassment thereby confirming her complaint as being true.
- On 4th October, 2020, the same woman worker lodged a complaint of caste based discrimination, against a factory management employee, at the local police station. A Closure Report (B Report: Lack of Evidence or False Allegations) was filed by the police in the court on 20/6/2021 regarding the complaint. The factory management issued disciplinary misconduct letter mentioning 10 different misbehaviour, disobedience, indiscipline cases against the complainant (said woman worker) on 14/10/2021 and (as stated in the previous para) subsequently suspended her with full wages from 10/2/2022. This worker was under suspension at the time of the assessment. This woman worker, GLU representatives and all 54 workers met (offsite) claimed that the allegations made by her regarding caste discrimination was true but she did not get justice as the allegations could not be proved. The investigation team verified both the closure documents (of sexual harassment complaint closure by the women welfare committee and the caste discrimination closure report that was submitted to court by local police).
- One of the workers was demoted two months after his promotion and the promised salary hike was not just discontinued but the additional salary already paid in the two months was also deducted from his next salary payment. The Factory management cited the reason that the wrong person with the same name was mistakenly selected for promotion. This was confirmed

by 42 workers met offsite, including the said worker himself. This worker is an active member of GLU. The demoted workers' nomination to committee elections was rejected by the factory management citing pending legal case against the worker as the reason. However, since the worker himself has complained to the District Labour Department regarding his abrupt demotion and deduction of the additional wages paid, no legal case is going on "against" him, as cited by the Management. Lodging complaints to the labour department cannot make a worker ineligible for filing nomination for becoming members of any committee.

- From January 2018 to July 2022, a total of **327 Suggestions, Grievances and Complaints** were recorded in the Grievance Register of the factory. The nature of the grievances raised by the workers included: Workplace Harassment and Abuse, Suggestions to improve workplace conditions, Sexual Harassment at workplace, Misconduct and behavioural issues, Discrimination and partiality, and Other Complaints.
- 90% of these grievances raised by the workers (and recorded in the register) are regarding workplace harassment, mental harassment and verbal abuse, while other comprised of grievances related to sexual harassment. A total of 20 complaints of sexual harassment were found in the register. However, the ICC members met claimed that there has been no sexual harassment instance in the factory in the last 10 years.
- It was confirmed by 53 workers during off-site worker discussions that the management staff use abusive words such as "*bolimaga*" (bastard), "*Boot Kaal Alli Odhithini*" ("Kick you with boots") and several other humiliating words while verbally abusing the workers at the factory floor. The Factory management officials also abuse women workers for bringing their children to the factory to utilise the crèche facility. Demeaning statements made by them (in local dialects) included "*they procreate children and expect the factory to take care of them*".
- The process of closure of the grievances in the grievance register is highly questionable as stated below:
 - It was noted that while in 17 cases the management had issued a show cause notice, the final resolution and closure not recorded.
 - In 26 cases, feedback is taken from other workers from the same work section and if no negative feedback is received against the accused, the case has been closed, without addressing the complaint raised by the worker. Provision and process under POSH act were not followed for the sexual abuse related grievances.
 - For none of the closed grievances, the complainant's signature was taken at the time of closing the cases. It is also not mentioned how the Complainant are informed about the final decision and case closure. These complaints are also not discussed during the committee meetings and closed directly by the Management.
- 7 workers during the Off-site discussion confirmed that workers are punished for availing casual leaves by the management by making them stand against the walls throughout the day and not assigning them any work.

- Practice of giving shorter lunch break time (less than the stipulated 30 minutes) to workers has also been widely claimed by all 54 workers met during off-site discussions. As per the workers, the Floor supervisors/managers pressurize them to complete lunch at the earliest possible and resume work.
- 5 morning shift women workers (out of total 46 women working in the morning shift) who were met during the offsite claimed that they were coerced to work in the morning shift (6 am -2 pm with prior notice) and that their grievances of unavailability of transport in the early morning, leading to hardship in reaching the factory, were never addressed by the management.

4.3. HEALTH AND SAFETY

Main Findings:

- While all the toilets were found to be open during the assessment period, during the offsite worker discussions, 54 workers claimed that this is not a common practice in the factory. As per them, some of the toilets remain locked and are opened only during any external visits, by auditors or buyers.
- The cutting and embroidery sections had significant amount of dust as observed at the time of assessment.
- Lack of favourable temperature and no provision of ceiling fans in sections such as cutting, embroidery and printing was also observed. The building structure does not have provision of ceiling fans in the above mentioned sections. Instead, installing standing coolers/fans can help maintain a favourable temperature.
- The claims made by workers that they are forced to work while they are sick and no medical facilities are provided to pregnant women were confirmed during the worker discussions, by 42 workers. Both of these issues were shared by the workers both during onsite and offsite discussions.
- Women workers are not allowed to take rest on the production floor and instead take rest in the toilets.
- Workers also complained of poor medical facilities/care in the medical unit within the factory. As per workers, when they ask for fresh mask, they are verbally abused and asked to wash their old masks and reuse it.
- Unhygienic and poor quality canteen food: The poor quality of canteen food was widely reported by the workers met. However, the same could not be verified by visiting the canteen.

5. RECOMMENDATIONS

“Freedom of Association” and “Collective Bargaining”: Shahi Exports has a detailed, written policy document on “Freedom of Association and Collective Bargaining” that respects the rights of the workers to join unions as per their choice freely and prevents any retaliatory actions against workers becoming member in any union or association. It is recommended that they develop a detailed SOP to implement the same, ensure all workers are oriented about the same and there is robust institutional mechanism to implement the policy and SOP. An internal monitoring mechanism is required to assess the effectiveness of the system and an annual external review will be helpful.

Effective Redressal of all harassment and Abuse: The current grievance redressal mechanisms need to be strengthened to make it effective enough to objectively and fairly deal with the large number of grievances being received on several types of harassment and abuses. Regarding Sexual Harassment, there is a need to develop and strengthen existing institutional mechanism with full capacity to deliver its mandate as per the POSH Act.

Strengthening and empowering various committees: In Grievance Committee and Safety Committee, the worker members are not capacitated/empowered or able to effectively handle worker’s grievances, particularly related to harassment and abuses, and health and safety, and many a time, even not aware about the types of grievances raised by the workers to the Management or registered within the Grievance Register. All the committees, if required, need to be reconstituted and made operational to ensure they deliver their mandate effectively. It will be good to engage external resources to strengthen them and monitor their functioning for at least a period of 6-9 months.

Ensure immediate redressal of all health and safety related concerns: Shahi Exports needs to ensure the overall physical and mental well-being and address issues stated within this report in the previous section. A robust H&S monitoring tool and SOP need to be developed to ensure the system is functional and sustained.

Reorienting Supervisory and Management Team Members on Workplace Harassment and Abuses: To address and reduce the incidences of various types of harassment and abuses, the supervisory and managerial staff members at Shahi Unit 26 need to be reoriented and sensitized on the negative impacts of any type of harassment and abuse and the subsequent adverse effects on physical, mental and emotional health and well-being of the workers and also on their productivity.
