

Apparel Export Promotion Council
Apparel House, Gurgaon

Place:- Gurgaon

Date:-1st July, 2010

Sub:- Draft Common Compliance Code

The draft Common Compliance Code is being placed in the public domain for comments from Industry, Exporters and Stake holders.

Comments / suggestions may be submitted to Shri Vijay Mathur, Director (Compliance) and Deputy Secretary General, Apparel Export Promotion Council, Apparel House, Institutional Area, Sector-44, Gurgaon, Haryana – 122 003, E-mail:- dsg@aepcindia.com latest by 17th July, 2010.

Based on the comments / suggestions received, necessary amendments in the Common Compliance Code would be incorporated.

(K.J. Marijan)
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Encl: Draft Common Compliance Code

Apparel Export Promotion Council

Draft Common Compliance Code

Code of Ethics Preamble

Closely associated with core labour standards are the codes of conduct. Over the past three decades, as corporations have grown both in size and in terms of influence over all aspects of economic and social development, there has been an associated shift of power from governments to large corporations. This growth in the size and influence of corporations is now accompanied by calls for companies to act responsibly. One mechanism through which this is achieved is the implementation and monitoring of the codes of conduct. These are partnership agreements drawn up at a company, industry or multi-sector level to outline basic social or ethical standards. A popular issue around which codes of conduct have been developed is that of labour standards in global supply chains.

The Apparel Export Promotion Council of India is the apex industry body that promotes and nurtures the apparel export industry. Council members/exporters recognize diversity in our society and embrace a cross-cultural approach in support of the worth, dignity, potential and uniqueness of each individual.

The specification of a code of ethics enables the council to clarify to current and future members/exporters and to those served by members/exporters, the nature of the ethical responsibilities held in common by its members. As the code of ethics of the council, this document establishes principles that define the ethical behaviour of its members/exporters. All exporters/members of the AEPC are required to adhere to this code of ethics and the standards of practice.

The intent of the Code of Ethics termed as the Common Compliance Code is to promote –

- Trade by creating a safe, healthy and ethical work culture
- A happy workforce because a happy worker is a productive worker.
- Healthy social dialogue
- Ethical sourcing practices – brands should be willing to be a part of the solution

- Transparency and flexibility between buyers and suppliers with a will to comprehend and resolve each others' concerns and problems. A partnership approach to work together.
- Training and capacity building programmes duly promoted and shared by brands, exporters and the AEPC/Ministry of Textiles.
- A continuous improvement process.

The code elements which most corporations pursue as their operating guidelines for suppliers, with a summary of benchmarks/guidelines against each code is briefly explained –

Legal Requirements:

We are committed to legal compliance and ethical business practices and encourage members/exporters to share that commitment, and therefore require them to comply with all applicable laws and regulations of the country –

- The Factories Act – 1948
- Bonded Labour System (Abolition) Act, 1976
- Child Labour (Prohibition and Regulation) Act, 1986
- Contract Labour (Regulation and Abolition) Act, 1970
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948
- The equal Remuneration Act, 1976
- Factories Act – 1948 / State factories' Rules
- Industrial Disputes Act, 1947
- Industrial Employment (Standing Orders) Act, 1946
- Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- The Minimum Wages Act, 1948
- The Payment of Bonus Act – 1965
- The Payment of Gratuity Act, 1972
- The payment of Wages Act, 1936
- The Trade Unions Act, 1926
- The Workmen's compensation Act, 1923
- Air (Prevention & Control of Pollution) Act, 1981
- Water (Prevention & Control of Pollution) Act, 1974

- Any other applicable Acts/Rules not specified in this list

Child Labor:

Members/Exporters shall ensure that the minimum admission to non-hazardous employment or work shall not be less than the age of 15 years or under the age of completion of compulsory schooling, whichever is higher. Additionally, all young workers (16 to 18 years) must be protected from performing any work that is likely to be hazardous or that may be harmful to the young worker's health, physical, mental, social, spiritual or moral development. These workers must be imparted specific and adequate training on hazardous aspects of their work, fully protecting their health, safety and morals. If this cannot be adhered to, young workers must not be engaged in such processes. Members/Exporters must observe all legal requirements for work of authorized minors.

- Legal/Code - Compliance on Child Labor standards
- Proof of Age Documentation / Other Means of Age Verification
- Government Permits and Parental Consent Documentation
- Employment of Young Workers (those between 16 to 18 years of age)
- Hazardous Work for Young Workers
- Young Worker Identification System
- Apprenticeships and Vocational Training / Minimum Working Age – to be 15 years
- Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child.

Forced Labor:

There shall not be use of Forced Labour , defined as any involuntary work demanded from any person under the menace of a penalty, in any form- Prison labour , indentured labour, bonded labour or otherwise. Coercion, in any form,

whether mental or physical must not be tolerated. All work, will be voluntary and workers should be free to leave upon reasonable notice.

- Legal/Code - Compliance – Forced labour standards
- Employment is freely chosen
- Employment Terms -Voluntary Agreement / Prohibitions
- Debt/Bonded Labor/Prison Labour/Involuntary Labour
- Wage Advances – Not to exceed three months pay or as specified by law whichever is less.
- Free Disposal of Wages/Cash and In-Kind Compensation
- Recruitment through Referrals
- Freedom of Movement / Employer Controlled Residence
- Workers are not required to deposit their identity papers with their employer and are free to leave their employer after reasonable notice.
- Worker Ability to Terminate Employment

Harassment or Abuse:

We expect members/exporters to create and maintain an environment that treats all employees with dignity and respect and will not use any threats or violence, sexual exploitation or abuse, verbal or psychological harassment or abuse.

- Legal / Code Compliance - Harassment and Abuse standards
- Progressive Disciplinary Practices
- Discipline/Fair and Non-discriminatory
- Monetary Fines & Penalties
- Transfer
- Reprimand / Dismissal, if proven
- Gender appropriate and non-intrusive security practices
- Sexual Harassment – Committee on Prevention of Sexual Harassment as per Supreme Court guidelines
- Psychological Harassment
- Physical / Verbal - Abuse
- Freedom of movement
- Protection from victimization

- Favour for a Favour - Quid Pro Quo and Preventing a hostile working environment (Ref – Vishaka Guidelines)

Non-Discrimination:

Members/Exporters shall not resort to any form of discrimination in hiring and employment practices including salary, benefits, allowances, discipline, retirement or termination on the grounds of race, colour, religion, gender, sexual orientation or favour, age, nationality, political opinion/affiliation, social or ethnic origin, union membership, marital or pregnancy status & HIV aids.

- Legal / Code compliance - Non-Discrimination standards
- Employment Decisions
- Work-force Demographics
- Recruitment and Employment Practices/Job Advertisements, Job Descriptions and Evaluation Policies
- Equal Pay for Work of Equal Value
- Marital Discrimination
- Pregnancy Testing
- Possible Marriage or Pregnancy Discrimination
- Pregnancy and Employment Status
- Protection and Accommodation of Pregnant Workers and New Mothers
- Health Status -Related Discrimination
- Medical Examination
- Confidentiality of Health Status
- Reasonable Accommodation for Health Reasons
- Discriminatory Violence/Harassment/Abuse
- Union affiliation

Health & Safety:

Members/Exporters shall ensure at a minimum, reasonable access to potable water and sanitary facilities, fire safety, emergency preparedness and response, industrial hygiene, adequate lighting and ventilation, occupational injury and

illness and machine safeguarding. All relevant legislation, regulations and directives in country of operation shall be followed to ensure a safe and healthy workplace.

- Legal/Code compliance - Health and Safety standards
- Document Maintenance/Worker Accessibility and Awareness
- Written Health and Safety Policy
- Worker Consultation
- Health & Safety management systems
- Communication to Workers
- Notification and Record Maintenance
- Permits and Certificates
- Evacuation Requirements and Procedure
- Safety Equipment and First Aid Training
- Personal Protective Equipment and Use
- Chemical Management and Training
- Material Safety Data Sheets/Worker Access and Awareness
- Chemical Management for Pregnant Women and Young Workers
- Protection Reproductive Health
- Ventilation/Electrical/Facility Installation and Maintenance
- Lighting, Temperature and Noise
- Machinery Safety, Maintenance and Worker Training
- Proper Use of Machinery
- Worker Refusal to Use Unguarded or Unsafe Machinery
- Ergonomics Bodily Strain
- Medical Facilities
- Sanitation in Factory Facilities
- Toilets
- Toilets/Restrictions
- Food Preparation
- Health & Hygiene
- Drinking Water
- Drinking Water/Restrictions
- Sanitation in Dormitories Dormitory Facilities
- Dormitories Separate From Production Facilities

- Child Care Facilities/Children on Premises

Environmental Requirements:

Members/Exporters are expected to have an effective environmental policy and to comply with existing legislation and regulations regarding the protection of the environment –

- Legal/Code compliance – Standards on Environment
- Environment management programme or system
- Domestic Sewage
- Chemicals, Hazardous substances and Waste handling
- Chemicals and Hazardous substances storage
- Chemicals and Hazardous substances issue and handling
- Material safety Data Sheets
- Workers awareness
- Chemical Management for Pregnant Women and Young Workers
- Protection Reproductive Health
- Personal Protective Equipment & Use
- Ventilation
- Re-cycling practices

Freedom of Association and Collective Bargaining

Members/Exporters shall recognize and respect the right of employees to freedom of association and collective bargaining in accordance with the laws of the land. Employees shall not be subject to intimidation or harassment in the exercise of their right to join or to refrain from joining any organization.

- Legal / Code compliance - Freedom of Association standards
- Right to Freely Associate
- Anti-Union Violence/Harassment/Abuse
- Anti-Union Discrimination/Dismissal, Other Loss of Rights, and Blacklisting
- Restoration of Worker Rights/Reinstatement

- Production Shift/Factory Closure to Prevent Exercise of Freedom of Association
- Severance Pay
- No unfair labour practices by employers, meaning interference by employers in workers' representatives/trade unions, such as Employer Interference and Financial Control, Employer Interference/Constitution, Elections, Administration, Activities and Programs, Employer Interference/Registration, Employer Interference/Favoritism, Employer Interference/Favoritism Formation of Alternative Organizations
- Facilities for Worker Representatives and Trade Unions
- Right to Collective Bargaining
- Deduction of Union Dues and Other Fees
- Grievance Procedures / Channels of Communication / Third Party Mediation
- Voluntary Collective Bargaining Practices

Hours of Work:

Members/Exporters shall comply with all applicable working hour requirements as established by law. In keeping with ILO standards the regular work week not including overtime, shall not exceed 48 hours and inclusive of overtime shall not exceed 60 hours per week, except in extraordinary business circumstances or emergency situations. All overtime work shall be voluntary and compensated at the legally mandated premium rate of pay. Employers shall ensure that all workers are provided with one day off in every seven-days week and at least 12 hours of rest between work shifts –

- Legal/Code compliance – standards on hours of work
- Rest Day & Rest Periods
- Meal and Rest Breaks
- Protected Workers (Women and Young Workers)/Regulations on Hours of Work
- Protected Workers (Women and Young Workers)/Record Keeping
- Time Recording System
- Maintenance of Reasonable Levels of Staff

- Forced Overtime/Extraordinary Business Circumstances.
- Extraordinary Business Circumstance/Overtime Explanation
- Public & National Holidays
- Annual Leave/Determination
- Leave/Retaliation
- Annual Leave/Wage Payments
- Sick Leave
- Sick Leave/Restrictions
- Calculation of Absences
- Suspension of Work
- Rotation of workers to prevent leave entitlement
- Over-booking of production capacities.
- Forced Overtime
- Compatibility between clients' sourcing and compliance practices

Wages & Benefits :

Members/Exporters shall pay at least the minimum wage required by local law or the prevailing industry wage – when available, whichever is higher, and who provide all legally mandated benefits. In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required.

- Legal/Code compliance – standards on Wages & Benefits
- Form of Payment of Wages
- Minimum Wage
- Training and Probation Wage
- Timely Payment of Wages
- Holidays, Leave, Legal Benefits and Bonuses
- Production and Incentive Schemes
- Payment for All Hours Worked
- Calculation Basis for Overtime Payments
- Non Payment of Incentives
- Premium/Overtime Compensation
- Overtime Compensation Awareness

- Overtime Compensation for Piece Rates and Other Incentive Schemes
- Deposit of Legally Mandated Deductions
- Voluntary Wage Deductions / Loans & advances
- Voluntary Wage Deduction/Worker Access to Information
- Employer Provided Services
- Accurate Calculation and Recording of Wage Compensation
- Accurate Length of Service Calculation
- False / Multiple - Payroll Records
- Record Maintenance
- Payroll Record Maintenance/Worker Acknowledgement
- Worker Wage Awareness
- Contestation of Wage Payments
- Pay Statement

Sub-Contracting:

Members/Exporters shall prohibit any engagement with unauthorized subcontractors in any of the processes involved in the production or completion of the product. They shall strive to ensure that their sub-contractors meet the principles of this Code of Conduct.

- Legal/Code compliance – standards on Sub-Contracting
- Over-booking production capacities
- Authorized & Unauthorized sub-contracting
- Sub-contractors to pursue code principles.
- Sub-contracting of labour
- Sub-contracting of production and value added processes
- Home-based work
- Disclosure of location of sub-contracted production processes
- Documentation and record maintenance
- Exploitation of workers
- Child labour / trafficking