



National Contact Point - NCP

FINAL STATEMENT

C&A

Non-compliance Claim n. 02/2014

1. Summary of the notification.

On December 4th, 2013, the Brazilian National Contact Point received a notification of non-compliance with the OECD Guidelines for Multinational Enterprises, sent by a German Parliamentarian, against C&A Modas Ltda – “C&A Brasil”, a Subsidiary of the Cofra Holding Group – “C&A Global”, founded in the Netherlands, with its headquarters in Düsseldorf, Germany, relative to a conduct in Dacca, Bangladesh.

According to the Complainant, C&A Brasil had shared responsibility in the fire of the Tazreen Enterprise’s factory, on November 24th, 2012, which killed 112 people and injured more than 300. The shared responsibility is due to the fact that C&A Brasil hired the factory to produce shirts.

According to the OECD Guidelines, in a business relationship between two companies, one has shared responsibility in relation to the conduct of the other which is part of its supply chain.

The Complainant suggested that the conduct violated the following articles of the Guidelines:

II. General Policies

A. Enterprises should:

2. Respect the internationally recognized human rights of those affected by their activities.

10. Carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems,



National Contact Point - NCP

to identify, prevent and mitigate actual and potential adverse impacts as described in paragraphs 11 and 12, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation. potenciais, como descrito nos parágrafos 11 e 12, e explicar como esses impactos são tratados. A natureza e alcance da due diligence depende das circunstâncias de uma situação particular.

11. Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.

12. Seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship..

13. In addition to addressing adverse impacts in relation to matters covered by the Guidelines, encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines.

IV – Human Rights

2. Within the context of their own activities, avoid causing or contributing to adverse human rights impacts and address such impacts when they occur.

3. Seek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts.

5. Carry out human rights due diligence as appropriate to their size, the nature and context of operations and the severity of the risks of adverse human rights impacts.



National Contact Point - NCP

At first, the Complainant made a Complaint against *C&A Mode GmbH & Co. KG, Kik Textilien & Non-Food GmbH e Karl Rieker GmbH*, since they all were clients of the Tuba Group, a holding which employs around seven thousand people in Bangladesh and produces, daily, 300 thousand items of clothing.

During the investigations in the factory where the fire happened, C&A tags were found, and the survivors claimed to be sewing clothes for the Company, who confirmed that the contract with Tazreen was made to meet an order of about 200 thousand sweat suits for the Brazilian market.

After the initial evaluation, the German NCP accepted the Claim against *Kik e Karl Rieker* for further examinations, while the claim against C&A was sent to the Brazilian NCP, because the Brazilian subsidiary, being legally, organizationally and economically independent, is responsible for the contract made with the company in Bangladesh.

The Brazilian NCP Coordination made an admissibility analysis of the Claim, according to the NCP Resolution n° 01/2012, and concluded that further evaluation was necessary, turning it into Claim 02/2014.

2. Assessment of the specific instance.

On a document dated August 28th, 2014, C&A Modas Ltda presented its counter arguments. The company demonstrated various actions taken in the field of sustainability, mentioned its commitments taken through the Code of Conduct for Merchandise Supplying, in addition to signing the National Pact for Eradication of Slave Labor. About the specific issue of the fire in Bangladesh, it claimed that the International C&A Foundation elaborated a program to aid the victims and assumed all medical costs in assisting the victims.



National Contact Point - NCP

In a communication of March 23rd, 2015, the Brazilian NCP, through the rapporteur of the Secretariat of Human Rights of the Presidency, questioned if the actions taken by C&A Foundation and by C&A Global to minimize the consequences of the fire and improve the working conditions in the Bangladesh factory would have spared the Brazilian subsidiary of taking attitudes to remedy the damage done by the fire, as well as to prevent other accidents, and requested additional information to C&A Brasil, such as: (i) measures adopted by C&A Brasil (and not only by the headquarters) after the fire; and (ii) mechanisms of due diligence to monitor violations of human rights and labor condition throughout its supply chain.

On April 14th, 2015, there was a meeting between NCP Brazil and C&A Brasil to clarify the issues raised above. On the occasion C&A Brasil informed that, after the fire, the due diligence process started to take into account items that were not “obvious” such as access to water, building structure conditions and security. The company informed that it is qualified by the ABVETEX’s (Brazilian Association of Retail for Textiles) Certifications Program, in addition to its own capacitating and auditing program for responsible supplying. The company also handed the C&A Code of Conduct for Merchandise Supplying, 2006 version, the C&A Code of Conduct for Merchandise Supplying, 2015 version in Portuguese and English, and the Orientation Guide to the C&A Code of Conduct 2015.

On May 4th, 2015, C&A sent a report with the information requested by the NCP. In the document, C&A reinforced that the fire represented a violation of the C&A Code of Conduct (since the enterprise hired in Bangladesh had not respected the health and safety conditions of the workers), reason why the contract with Tuba Group was terminated after the accident. Also, C&A informed that it has been improving its due diligence mechanisms, through an auditory and monitoring system in the supply chain, which involves direct suppliers and subcontractors. In addition it informed that, in 2014, C&A Global expanded the area of the Sustainable Supply Chain, integrating its auditory work globally. Amongst the information given, there was a detailed description of the standard procedures of evaluation and monitoring of the suppliers.



National Contact Point - NCP

3. Measures of repair.

Specifically in relation to fire prevention, C&A informed that it initiated a Fire Security Program, through which specialized companies hired by C&A Global made inspections and tests in the factories of its suppliers. This Program started in Bangladesh after the fire in Tazreen and has been applied to suppliers around the world.

In this Claim, it was not possible to have a mediation meeting, due to the fact that the Complainant resides in another country, which also contributed to the fact that the developments in this allegation took longer than usual.

Having received the above information from C&A regarding safety and its supply chain requirements, the case rapporteur recommended that the case should be successfully terminated, and a final report proposal was sent to both parts. However, the complainant requested further actions from C&A.

Despite being in agreement with the measures adopted by C&A, in January 2016, the complainant forwarded a set new recommendations. Suggested that C&A Brazil would need to organize long-term and sustainable supply structures and business relationships with local partners, and that C&A Brasil should give up its system of transfer of orders to subcontractors. According to the claimant, that would be a problematic business model, since working conditions are thus difficult to control.

The complainant proposed that there should be an agreement if C&A Brasil proceeded according to his recommendations, and that the company's information that would be sent for monitoring purposes should not be sent through a sustainability report, since it only embodies CSR principles. The complainant requested that specific numbers should be provided, ones which would provide exact figures on the measures taken. Should C&A accept these terms, the claimant would accept an agreement.

This letter was sent to C&A, but they did not respond to it. From February to June 2016, this NCP continued to contact C&A through phone calls, emails, but could not get a response about this last complainant's letter.



National Contact Point - NCP

The NCP notes, with satisfaction, the modifications made by C&A Brazil in its code of conduct after the tragedy in Bangladesh and recommends that the Company continues to improve its processes and promotion of human rights and decent work conditions, following the OECD guidelines. The NCP suggests that the complainant should use its leverage and propose further developments when monitoring C&A about its new developments.

Due to the exposed, the Brazilian NCP decided to terminate and file the Complaint 02/2014.

Brasília, 30 November 2016.
(Translated 8 December 2016)

BRASIL NATIONAL CONTACT POINT