



ABC Italia srl

Somaglia (LO), Italy

§ 1 Protection of workers' health and safety

- Standard:** Working conditions are safe and hygienic in order not to harm the health of the workers.
- Guidance:** Sufficient space, light, drinking water, ventilation and emergency facilities must be available, adequate to the type of work. Appropriate measures are taken to prevent injuries. In defined cases, first aid kits must be available.
- Sources:** ILO Conventions 155 on Occupational Health and Safety and 177 on Home Work; ILO Recommendations 164, 171 and 184.
- Compliance:** Compliance with Label STEP's occupational health & safety standards was generally found to be good at ABC production sites in Afghanistan, India and Nepal. The lighting conditions in one unit in India needed to be improved and a first aid kit had to be added to a workshop in Nepal. In the homebased weaving context of Afghanistan, Label STEP auditors raised awareness for the importance of cleanliness and hygiene at the workplace at those looms where cleanliness was found to be insufficient. Similar campaigns sensitizing weavers, workers and management about health and safety related issues were organized at the units in India and Nepal. A special focus was put on weavers' and workers' health and safety in the face of the global coronavirus pandemic. Education and awareness campaigns were organized by Label STEP in collaboration with the industry partners, measures to protect workers' health were suggested and supported.
- Rating²:** 90%

¹ For more details on the Label STEP Standard visit: <https://label-step.org/fair-trade/>

² The Percentage Ratings presented in this report are estimates, a new Label STEP Standard Compliance rating system is under development and is scheduled to be introduced by the end of 2022.

§ 2 Payment of living wage and protection of agreed wages

- Standard:** Wages paid for regular work or overtime work meet or exceed legal minimum wages and/or market rates, whichever is higher. Terms of payment and deductions must be agreed upon in advance, preferably in writing.
- Guidance:** The local living wage, calculated on the basis of the ETI (Ethical Trading Initiative) formula, is set as a goal. The terms of agreement define clear wages. If piece rates are agreed (for instance by knot; by square foot, square inch or square meter; per kaghaz, raj or piece rate or any other locally used measure) these rates allow a worker to produce the amount of pieces needed to reach the wage agreed beforehand during a normal working day of 8 hours at average productivity. Payment is made timely and in a manner acceptable to both employer and worker. Advance payments do not entail interest.
- Sources:** ILO Conventions 131 on Minimum Wage Fixing and 177 on Home Work; ILO Recommendations 85, 135 and 184.
- Compliance:** ABC Italia's production sites meet or exceed the Label STEP minimum requirements regarding wages. In India, wages not only exceed the legally binding governmental minimum wage but also reach the STEP Living Wage estimate. In Nepal, the average wages have increased significantly in recent years; a 10-15% gap remains to reach Living Wage level and Label STEP will continue to collaborate with the industry stakeholders to gradually increase wages to meet that level. In Afghanistan, ABC Italia's average wages exceed the industry's market rates by up to 63%. However, wages remain very low in the entire Afghan carpet industry and very substantial efforts by all stakeholders are required, to gradually improve the wage levels: market rate levels are found to be up to 70 or 80% below Label STEP's living wage estimate for Afghanistan. Label STEP, with the support of industry partners and third party donors, organized food aid distribution to those weavers, whose livelihoods were threatened due to coronavirus pandemic related supply chain disruptions and lockdowns.
- Rating:** 70%

§ 3 Prohibition of child labour, as defined by the ILO

- Standard:** Child labour as defined by the ILO and United Nations is forbidden. Stricter national legislation prevails. Working conditions resembling slavery or harmful to children's health or jeopardising their education are forbidden.
- Guidance:** The term "child labour" is defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.
- Sources:** ILO Conventions 138 on Minimum Age, 177 on Home Work and 182 on Worst Forms of Child Labour; ILO Recommendations 146, 184 and 190.
- Compliance:** All ABC Italia production sites were found to fully observe the Label STEP standard minimum age requirements. No child labour was found in any of the STEP audits.
- Rating:** 100%

§ 4 No forms of discrimination

- Standard:** Discrimination of any kind is forbidden. Any distinction, exclusion or preference made on the basis of race or caste, colour, religion, gender, age, sexual orientation, national origin, political affiliation, social origin or union membership, and which may affect equality of opportunities or treatment at the workplace, is forbidden.
- Guidance:** All workers shall have equal rights in terms of hiring, remuneration, training, promotion, retirement, ending of contracts or in any other aspect of employment.
- Sources:** ILO Conventions 100 on Equal Remuneration, 111 on Discrimination, 143 on Migrant Workers, 158 on Termination of Employment and 177 on Home Work; ILO Recommendation 143.
- Compliance:** No forms of discrimination were found in any of the STEP audits.
- Rating:** 100%

§ 5 Respecting freedom of association and the right to collective bargaining

- Standard:** Workers have the right to establish their own organization and/or to join trade unions or other organizations of their own choosing. Companies facilitate collective bargaining with trade unions or other forms of independently organized worker representations.
- Guidance:** The employer has to enter into collective bargaining if legal requirements are fulfilled, for instance, if a given ratio of trade union member is achieved. The employer meets on a regular basis with democratically elected and independently organized worker representatives to discuss issues raised by the workforce and to negotiate agreement, particularly on improving working conditions.
- Sources:** ILO Conventions 87 on Freedom of Association, 98 on Right to Organise and Collective Bargaining, 135 on Workers' Representatives, 154 on Collective Bargaining and 177 on Home Work.
- Compliance:** Freedom of association and the right to collective bargaining is well respected at the ABC Italia production sites. It is to be noted that with the exception of Nepal trade unions are not common in most production countries' carpet industries.
- Rating:** 100%

§ 6 No forced or bonded labour

- Standard:** Forced or bonded labour is forbidden. Workers are employed of their own free will. They are aware of their rights and obligations towards the employer.
- Guidance:** All workers are on service on a voluntary basis. They shall be free to leave at any time, after due notice as stated by law or in the contract. Written contracts are strongly recommended.
- Sources:** ILO Conventions 29 on Forced Labour and 105 on Abolition of Forced Labour.
- Compliance:** No cases of forced or bonded labour were found in any of the STEP audits. Most weavers in the carpet industry still work with only oral contracts, with the notable exception of Afghanistan, where basic written agreements are issued. Label STEP will continue to recommend the more widespread introduction of written contracts.
- Rating:** 100%

§ 7 No harsh or inhumane treatment, no sexual harassment

- Standard:** The use of corporal punishment, mental or physical coercion and verbal or physical (sexual) abuse is forbidden. Disciplinary measures are well defined and communicated to the workers.
- Guidance:** Well defined measures means that the offences and the respective sanctions are clearly stated and that no other measures are in use than the ones defined in advance. Deductions from wages for disciplinary measures are not permitted. Communication to workers includes but is not limited to announcing the disciplinary measures in writing and in an understandable form (words and/or pictograms).
- Sources:** ILO Conventions 111 on Discrimination and 29 on Forced Labour.
- Compliance:** No cases of inhumane treatment or sexual harassment were found in any of the STEP audits.
- Rating:** 100%

§ 8 Limiting hours of work and application of weekly rest

- Standard:** Working hours and overtime must comply with national law and industry standards. A worker is entitled to have at least one full free day every seven days.
- Guidance:** The maximum working hours per week are as defined by national law but shall not exceed 48 hours on a regular basis. Overtime is applicable to time-bound contracts (not to piece rate work). It shall not exceed 12 hours per week and cannot be required on a regular basis.
- Sources:** ILO Conventions 1 on Hours of Work and 14 on Weekly Rest.
- Compliance:** General compliance with Label STEP's maximum working hours standard is good. The official working hours schedule in a Nepal workshop has been modified on Label STEP's request to be more clearly in line with the maximum working hours requirements. In Afghanistan, some home-based weavers tend to work long hours due to the bad economic situation; Label STEP field staff systematically raises awareness among weaver families about the importance of limiting hours of work and regular rests and the health risks related to the issue.
- Rating:** 90%

§ 9 Identification of environmental risks and minimizing their impact

- Standard:** In larger dyeing and end washing units an environmental improvement plan must be in place to ensure continuous progress towards an ecologically sound production.
- Guidance:** Ecologically sound production includes in particular the reduction of use of water and energy, treatment of waste water, air filters, reduction of hazardous ingredients and careful disposal of waste accruing in the production. In all departments that have an environmental impact the responsible persons are made aware of the environmental risks by the Label STEP auditor. Problems and possible solutions are discussed along the whole supply chain as well as with the local authorities.
- Compliance:** The handmade carpets produced at the audited production sites were all made of natural material (mostly wool and cotton). Dyes are predominantly natural in Afghanistan while in India and Nepal mostly (high quality) synthetic dyes are used. Most dyeing and washing units with the exception of facilities in India, where waste water treatment plants are in place, have no or only very basic procedures to minimize the environmental impact. Label STEP will intensify its efforts, in collaboration with industry partners, to further improve environmental protection at all levels of carpet production.
- Rating:** 70%

§ 10 Acceptance of STEP audit: Transparency and access to information

- Standard:** The stakeholders of Label STEP commit themselves to facilitate the access to all information necessary to carry out the audits conducted by Label STEP auditors.
- Guidance:** Carpet dealers are obliged to provide Label STEP with a full account of all their purchases and supply chains, to allow inspections to take place and, whenever necessary, to initiate measures for improvement. Auditors can meet with the workers free and without interference.
- Sources:** Contract with license holders and Label STEP Standard.
- Compliance:** ABC Italia was fully compliant in disclosing its supply chains, Label STEP auditors had unhindered access to all production sites.
- Rating:** 100%



ABC Italia srl

Somaglia (LO), Italy

111

Audits in
Afghanistan, India and Nepal

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Material Incidents¹

99

Production Sites audited

Sites by Type:

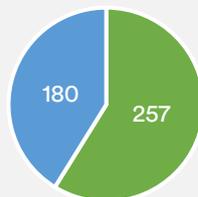
| | |
|----|-------------------|
| 89 | Weaving |
| 6 | Dyeing |
| 4 | Washing/Finishing |
| – | Other |

Sites by Size:

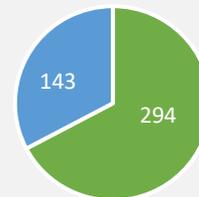
| | |
|----|----------------------|
| 87 | Home Based |
| 3 | Workshops |
| 9 | Manufacturing Plants |
| – | Factories |

437

Workers audited



■ Female
■ Male



■ Weavers
■ Other

Bern (Switzerland), 2 May 2022

R. A. Aschwanden

Reto Aschwanden
Managing Director



¹ Material Incidents are defined as non-compliances with Label STEP's standards §3 'prohibition of child labor', §4 'prohibition of forced or bonded labor' and §7 'prohibition of harsh or inhumane treatment and sexual harassment'.