

## CASE REPORT \_\_\_\_\_

### **Pakistan – cheap clothes, perilous conditions**

In September 2012, 258 workers died in a fire at the Ali Enterprises textile factory in the district of Baldia in Karachi, Pakistan. Thirty two people were injured, many seriously. Employees suffocated or were burned alive because several windows were barred, emergency exits were locked and there was only one unobstructed exit.

The factory's biggest client was the German discount retailer KiK that disclosed it bought at least 70 percent of the textiles the factory produced in 2011. KiK stated that it was its business that enabled the Pakistani manufacturing firm to grow into a major company. KiK also said that auditing companies were hired to regularly review the factory's safety and other working conditions.

On the initiative and with the support of [ECCHR](#) and [medico international](#), four of those affected by the factory fire sued KiK in a German court. In March 2015, they filed a [civil lawsuit against KiK](#) at the Regional Court in Dortmund seeking 30,000 euros each in compensation. The suit was the first of its kind in Germany.

In January 2019, the court dismissed the case, finding that it had exceeded the statute of limitations. KiK originally agreed to waive potential statutory limitations, but later rescinded its offer. The case was thus decided on procedural grounds rather than merit. Questions about corporate liability remain unresolved.

Immediately after the disaster, KiK paid one million US dollars in emergency aid to the survivors and bereaved. The payout was coordinated by an independent commission, set up by the High Court of Sindh. In September 2016, KiK announced in the course of a dialogue moderated by the International Labour Organization that the company was prepared to pay 5.15 million US dollars in pecuniary damages to those impacted by the fire. The civil suit in Germany played a key role in the ILO negotiations.

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## **Criminal investigation into the fire and liability of international corporations**

KiK knew or should have known about the factory's working conditions and architectural details, such as the barred windows. In its corporate social responsibility reports, KiK explicitly stated that its supply factories are regularly inspected. Just a few weeks before the fire, Italian auditor [RINA](#) issued the factory a SA 8000 certificate, which supposedly guarantees safety, social and environmental standards.

After the factory owners were charged and even temporarily imprisoned immediately after the fire in a historic move for Pakistan, the investigation was dropped in spring 2016. In September 2020, two men in Karachi were sentenced to death by an Anti-Terrorism Court for arson – a serious human rights violation. The verdict also neglects important facts about the factory's inadequate fire safety precautions.

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## **Precarious working conditions in manufacturing for the European market**

The disaster in Karachi is a drastic example of the pervasive inhumane working conditions endured by workers who manufacture clothes for the European market. Wages below subsistence level, overtime on six or seven days a week, abuse and discrimination in the workplace, serious work-related accidents and trade union repression – this is the unjust reality for millions of factory workers in the Global South.

Transnational companies are directly implicated in this problem as their constant demands for lower prices and tight production deadlines exacerbate poor working conditions in production regions. Factory owners pass the pressure to deliver goods quickly for the lowest possible price to employees. European companies, hoping to avoid becoming involved in scandals such as the one following the Karachi factory fire, oblige suppliers to adhere to codes of conduct and hire certification firms to audit factory working conditions.

What the Ali Enterprises case shows, however, is that this auditing and certification system is not a suitable tool for improving working conditions. It is therefore all the more important to clarify KiK and RINA's responsibility for the fire. Germany needs a fundamental reform of its corporate due diligence laws.

In December 2020, the long legal process to address the Ali Enterprises factory fire in Europe came to an end when the Italian certification company RINA refused to sign an OECD mediation agreement with those affected.

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