

KiK and the Karachi fire: Corporate Responsibility in Transnational supply chains



By **Goliathwatch** (Germany)

In 2012, a fire in a textile factory owned by Ali Enterprises in Karachi, Pakistan killed 260 workers and injured 30 others, some severely. Seventy percent of all of Ali Enterprises' sales went to German clothes retailer KiK, which has stores in ten European countries: Austria, Czech Republic, Croatia, Germany, Hungary, Italy, Poland, Slovakia, Slovenia and The Netherlands. KiK garments are made by subcontractors in Germany, Poland, Turkey and five Asian countries: Bangladesh, Cambodia, China, Indonesia and Pakistan.

The disaster reveals the poor working conditions in textile factories in Pakistan, which are partly due to the inadequate government supervision. Although it was proved that Ali Enterprises had violated fire protection rules, there was no indictment following the criminal investigation against the company in Pakistan. Local social movements have taken the government to court for its failure to regulate the sector and its inability to conduct an effective investigation. Twenty percent of all exports from Pakistan go to the EU.

KiK has been accused of failing to exercise due diligence and duty of care. The German corporation's close business relationship with Ali Enterprises required it to do more to ensure that the working conditions at its subcontractor's factories were adequate. KiK commissioned regular factory visits and firms such as RINA Services S.p.A. certified that

About the corporation:

Name: KiK
(KiK Textilien und Non-Food GmbH)

Sector: Textile

Country of origin: Germany

Main ownership: Tengelmann Group (83%),
Jost-Stefan Heinig (15 %)

Countries in which the transnational has its operations: Austria, Czech Republic, Croatia, Germany, Hungary, Italy, Poland, Slovakia, Slovenia and The Netherlands

Location of the case: Pakistan



Women worker in Pakistan's garment industry
Photo: USAID Pakistan (https://www.flickr.com/photos/usaid_pakistan/)



Textile factory in Pakistan Photo: ILO in Asia and the Pacific
(<https://www.flickr.com/photos/iloasiapacific/>)

This case is part of the report
THE EU AND THE CORPORATE IMPUNITY NEXUS
BUILDING THE UNBINDING TREATY ON TRANSNATIONAL CORPORATIONS AND HUMAN RIGHTS

The full report can be downloaded at:
<https://multinationales.org/The-EU-and-the-Corporate-Impunity-Nexus>

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there were safe working conditions at the factory, but this was not enough to prevent the workers' deaths. This case thus demonstrates that voluntary CSR tools, such as the SA8000 certification standard used by KiK, are weak. It is interesting to note that RINA Services has been taken to court in Geneva and Italy because of its failure to implement the SA8000 certification processes properly. This kind of failure is widespread in the social audit industry.

Shortly after the fire, KiK offered about €1000 compensation per victim. A lawsuit was filed at a German regional court in 2015 to demand further compensation and in August 2016, the court granted legal aid to the claimants. Nearly four years after the disaster, as a result of negotiations by the International Labour Organisation and the German Ministry of Economic Cooperation and Development, KiK agreed to pay an extra US\$5.15 million in damages to those directly impacted by the fire. However, it still refuses to pay damages for pain and suffering or to officially acknowledge its responsibility, as the claimants had requested. The case before the German regional court was dismissed in January 2019, demonstrating the inadequacy of German law..

The KiK case shows that voluntary CSR tools like SA 8000 supervision are insufficient and are too weak to prevent worker fatalities. It suggests how a UN Binding Treaty for transnational corporations would improve the German legal system. Compensation for victims and access to justice would be better defined and there would be clearer obligations and liabilities in regards to duty of care. The efficiency and effectiveness of the legal system would be enormously improved.

SOURCE

ECCHR dedicated page: <https://www.ecchr.eu/en/case/kik-paying-the-price-for-clothing-production-in-south-asia/>

Latest news: <https://www.ecchr.eu/nc/en/press-release/regional-court-in-dortmund-dismisses-pakistanis-complaint-against-kik/>