



Date: August, 31<sup>st</sup> 2009

To,  
United Nations, Global Compact Office

**Statement of continued Support for the Global Compact**

I would like to confirm our continued participation and support to Global Compact initiative. Implementation of Global Compact code of conducts has become a valuable tool to enhance our quality of work and the networking of GC has also helped our business to expand its area.

Thank you


A handwritten signature in dark ink, appearing to be "Sulo Shrestha Shah".

Sulo Shrestha Shah  
Managing Director  
Formation Carpets

	<b>Global Compact Asia Template</b>
Company Telephone: 977-1-5000273, 977-1-5000071 e-mail: info@formationcarpets.com geeta@hostehainse.org.np URL: www.formationcarpets.com, <a href="http://www.hostehainse.org.np">www.hostehainse.org.np</a>	<b>COP Report from Nepal</b>
Project Name	<b>Formation Village-Hoste Hainse</b>
Company Name	Formation Carpets (2006 Best practice from Nepal)
About the Company/Council	Formation Carpets is a carpet manufacturing and exporting company. The main concern of the management is to create exclusive carpet designs, ensuring outstanding quality and assuring a sound working environment for employees. Formation Carpets adheres to the principles on human rights,
Partners/Participants	Hoste Hainse (HH) acts like a partner of Formation Carpets to implement and maintain the social welfare activities such as Health Care and Day Care facilities for employees and scholarship program for weavers' and employees children. Formation Carpets believes in the need for integration between business and NGO sector as they are like two sides of a coin. These two sectors working together can bring social and economical changes.
Global Compact Principle(s)	<b>Human Rights :</b> The company's policy is to ensure the protection of human rights. Ms Shah the founder president of Formation Carpets, who worked in anti child labor activities in the carpet sector led to the establishment in 1995 of the RUGMARK label - the label that guarantees that no child has been employed in any process related to the production of carpet. The president is also a recipient of Human Rights Award from Advocates for Human Rights, USA for her significant contribution in reducing child labour. The company has always followed Corporate Social Responsibility business and carried out its social philosophy focusing on the welfare of company employees. Indeed, the Formation Carpets is the member of Global compact and has been selected as the Global Compact's best practices of 2006 from Nepal.

	<p><b>Labor Standards:</b></p> <ul style="list-style-type: none"> <li>• There is no child labor involved in the company.</li> <li>• The company is the Member of Nepal Rugmark: all carpets obtain the Rugmark label (child labor free)</li> <li>• Age bar (minimum age –18 years) in the recruitment of the weavers</li> <li>• It is compulsory for the weavers to send their school-aged children to school</li> <li>• Sponsorship /Scholarship Support Facility to the weaver’s children</li> <li>• Smaller children have access to a well equipped Day Care Centre</li> <li>• School going children have access to a Coaching Class.</li> <li>• Weavers and their children have access to Health Care Facility</li> </ul> <p>All the employees are informed of company policies; the process of dissemination is through quarterly meetings and interactions between the weavers and the staff.</p> <p><b>Environment:</b></p> <ul style="list-style-type: none"> <li>• The company has a well-ventilated and environmentally sound workplace. All the employees have comfortable sitting arrangements. They have access to clean toilet facilities and to drinking water. Training on health, sanitation and safety are provided to the weavers regularly.</li> <li>• The children of weavers have access to a play ground with swing, monkey bar, table tennis etc.</li> <li>• Training was also given to some staff on how to make briquettes out of left over saw dust and paper. Another way to recycle and help save the environment.</li> </ul> <p><b>No Corruption or Discrimination is Practiced:</b></p> <p>The organization has always worked against all form of corruption and there is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender or political affiliation</p>
Project Duration	From 1990 till date
Background/Abstract	<p><b>Formation Carpets</b> was founded in Kathmandu, Nepal, by Mrs. Sulo Shrestha Shah, a Nepali business entrepreneur and Mrs. Linda Gaenzle, a German designer in 1991. The main concern of the management was to create exclusive carpet designs, ensure outstanding quality and assure a sound working environment for its employees.</p> <p><b>Hoste Hainse:</b> Founded in 1990, Hoste Hainse had the initial purpose of ensuring sound working conditions for the employees of Formation Carpets and their children.</p>

Initiative	<p>As a paragon in the carpet industry, Formation Carpet gives preference to employing women: 90% of its employees are women, opportunities are also provided to less privileged women. The company has entrusted Hoste Hainse with the responsibilities of implementation and monitoring of staff welfare activities. The following activities have been initiated:</p> <p><b>Reporting System</b> Hoste Hainse performs quarterly monitoring of the company, its day care centre and the coaching class. It inspects work place conditions and interacts with employees regarding their children.</p> <p><b>Day Care Centre</b> The Company runs a Day Care Centre under Hoste Hainse for infants and pre-school children of weavers.</p> <p><b>Scholarship and coaching class facility</b> The Company provides scholarship support through Hoste Hainse to the children of weavers in various boarding and government schools of Kathmandu. Currently over 200 children are receiving scholarships, and 60 children are benefiting from coaching class facilities. Over 40 children have already completed their high school exams.</p> <p><b>Health Insurance</b> : the limitation of health insurance has been increased up to NRs. 45000 (\$600.00) and accidental insurance up to Nrs. 100000 (\$ 1333.00) has also been added for the staffs and weavers</p> <p><b>Other facilities</b></p> <ul style="list-style-type: none"> <li>-Provident fund for permanent employees</li> <li>-Dashain festival allowance</li> <li>-Leave is provided as per the Labour Act of Nepal.</li> <li>-Dearness allowance 750 per month</li> <li>-Scholarship support to weaver and staff children</li> <li>-Maternity allowance Nrs.5000 two times</li> <li>- Transportation facility for the worker who work until late hour</li> <li>-Gratuity for weavers have been upgraded Nrs. 4600 (\$ 61.00) per year. After completion of one year they will be illegible for gratuity.</li> <li>- The weaver will also receive Nrs. 4600 (\$ 61.00) at the time of resign or lay off.</li> <li>- At the time of work division the priority is given to the interest of worker and the work conducive to them</li> </ul>
Challenges Faced	<p>The world recession has also affected the Formation Carpet. Demand of carpet in international market is low at the moment. The company is getting less order and that has decreased the company income as well. On the top of recession the political instability, security issue and degrading social environment the company is facing disturbance. It has become very challenging to sustain the initiatives started under GC during the periods of business slow down. The company workers were on strike claiming additional benefits. The company fulfilled some demand which was felt necessary as per time change such as dearness (Mahangi Bhatta) and Maternity allowance two times. Considering the staff welfare the company handled this critical situation in close coordination and cooperation with its worker.</p>

Impacts and Benefits	<p>Global Compact initiatives undertaken by the company, people look forward to working in the company, which is very encouraging. Changes have been observed amongst the weavers and they are more conscious about their health, their children's education, and human rights. The image of the company has improved.</p>
	<p><b><i>Immediate plan (written in last GC report)</i></b>  <i>The company will continue raising awareness, enhancing skills and knowledge, and ensuring the rights of the weavers and their families for a sustainable livelihood. The immediate future plans are as follows:</i></p> <ol style="list-style-type: none"> <li>1. <i>Establishment of a library to disseminate relevant information.</i></li> <li>2. <i>Computer training to school going children</i></li> <li>3. <i>Advancement and protection of rights of women weavers</i> <ul style="list-style-type: none"> <li>• <i>Solicit support of a local lawyer's organization engaged in women's rights</i></li> <li>• <i>Submit a proposal to Advocates for Human Rights (MAHR) which is an organization of lawyers and also a donor of Hoste Hainse</i></li> </ul> </li> <li>4. <i>Health and environmental awareness program</i></li> <li>5. <i>Support and facilitate eligible children of weavers to get jobs. HH and FC gives first preference to such children during recruitment.</i></li> <li>6. <i>Provide counseling and guidance to children to choose their subjects/faculty in accordance with their interest and competence.</i></li> <li>7. <i>Enhancement and upgrading of the existing daycare centre and tuition class rooms by making it more spacious and supplementing it with more facilities and teaching aids.</i></li> </ol> <p><b>Completed programs from the “Immediate Plan”</b></p> <ol style="list-style-type: none"> <li>1. Children of weavers are being provided tuition class to help them in their home work and difficult subjects. To make more comfortable for children the tuition class runs in two different rooms one for junior level and one for senior level.</li> <li>2. The quality and quantity of food in day care center has been enhanced in main factory and also updated the Day Care center of branch factory installing fan, carpets, bedding stuffs etc</li> </ol> 

***Girls of company worker receiving computer training***

3. Computer training has been provided for some children of weavers who have completed their school education. They are being trained in computer including internet program and also office management.

4. A temporary library has been established for the children of weavers within the complex and a library has also been established in Sankhu School where the children from deprived and poor families of Sankhu village come to study.

5. An environmental awareness program for the children of carpet weavers was organized so that the children could pass the message to their parents



***School completed children of weavers received prize***

6. Program organized in honor of SLC (high school) graduate children of weavers distribute award and prizes to motivate and encourage other students to concentrate on their studies.

7. For the physical development of the children of weavers a Karate class was conducted within the complex. 13 interested children completed the 6 month class

8. Facilitate children of staffs and weavers to go forward for their college level study.

9. Number of scholarship support has been increased. Currently more than 250 children of company worker are getting support for their education.



*scholarship support receiving children of company worker*

### **Long-term plan**

The organization has a long-term plan of establishing the model **Formation Village** where all the above programs will be implemented in specialized premises that are adequate and congenial for this purpose. The Village will have accommodation with all basic requirements at subsidized rates and other facilities, such as, health clinic including medical shop, playground, sports club, shopping centre, temple for religious and cultural functions, community hall, garden, sports ground, etc. All existing facilities, day care and tuition classes will also be provided. The Village and all the programs to be implemented therein shall be managed and administered by Hosts Hainse.

*For the implementation of long-term plan political stability, peace and safe and sound environment is very necessary. Therefore those plans will be implemented in priority basis as soon as the country political and working environment will be improved.*

Future Plan