Fair Finance India

MAPPING GARMENT INDUSTRY FUNDING IN INDIA

AN ANALYSIS OF THE ESG REPORTING OF BANKS

CITATION GUIDELINE

Mapping Garment Industry Funding in India: An Analysis of ESG Reporting of Banks. (2022). Fair Finance Guide India Coalition

IN THIS REPORT

ABBREVIATIONS

ESG	ENVIRONMENTAL AND SOCIAL GOVERNANCE
MCA	MINISTRY OF CORPORATE AFFAIRS
BRR	BUSINESS RESPONSIBILITY REPORT
FI	FINANCIAL INSTITUTIONS
FFI	FAIR FINANCE INTERNATIONAL
FF INDIA	FAIR FINANCE INDIA
FFG	FAIR FINANCE GUIDE
DELHI NCR	NATIONAL CAPITAL REGION OF NEW DELHI
PSB	PUBLIC SECTOR BANK

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EXECUTIVE SUMMARY

This report seeks to establish the groundwork for a long-term empirical study of the funding patterns of the garment export industry in India. As an entry point, this report sets the context by delving into the working conditions prevalent among the representative sample of 36 garment companies.

Next, we analyse the financial plumbing of these garment companies from FY 2017-18 – i.e., the 10 banks which were found to be linked as lenders to these companies. Using regulatory filings on responsible financing and a bespoke benchmark for garment sector financing, the Report scores each bank on their public ESG reporting.

We find that the garment companies consistently rely on loans from banks and that banks have a considerable interest in the garment sector, averaging around INR 660 crores in their exposure to our sample set. We find that the existing reporting requirements (under the Business Responsibility Reporting process) do not go far enough to provide a reliable picture of how ESG principles were satisfied before the sanction of loans.

The banks in our sample set, on average, displayed a match of only around 27 percent to the benchmark requirements. These findings aim to provide a bird's eye view of the gap between ESG reporting and ensuring sustainable outcomes for the Indian banking sector when it lends to garment sector companies. Finally, the report provides a set of next recommendations for various stakeholders to strengthen and make ESG reporting effective.

PART 1

GATHERING THE EVIDENCE

INTRODUCTION TO THE CASE STUDY

SECTION 1.1

Background to the Coalition

The Fair Finance International (FFI) is a group of over 100 civil society organisations, active in 11 countries, initiated by Oxfam, who have come together to strengthen the commitments of financial institutions to social, environmental, and human rights standards. FFI as a global network uses a rigorous methodology ('Fair Finance Guide/FFG) to assess, report on, and campaign for more responsible investment policies & practices. By benchmarking the investment policies and practices of financial institutions in critical areas such as human rights and climate impact, FFI enables consumers and policy holders to demand more socially responsible, fair, and sustainable investments [1]. One primary tool of ensuring this is to encourage banks to document granular details of their policies and its effect on sustainable development through public reporting channels like annual reports or sustainability reports. Applying FFI's methodology to the Indian context is a part of our foundational work in the coalition. This enables a ready benchmarking of any Indian financial institution's ESG policy commitments and practice[2].

Fair Finance India (FF India) is a coalition (a part of the FFI as well as the regional Fair Finance Asia network) which is working towards a sustainable financial sector for India. To this end, there are two existing reports in this regard from the coalition - (a) the annual benchmarking of a sample of Indian banks for their ESG policies[3] (b) a case study of eight banks exposed to the coal industry[4]. The first report applied the Fair Finance Guide to analyse policy commitments of eight representative banks in the financial sector. It thus provided the first application of the general FFG methodology to the specific conditions of the Indian financial sector.

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Cividep India ('Cividep') is a part of the Fair Finance India network and participated in the deliberations and drafting of the initial benchmarking report. Cividep works to ensure that businesses comply with human and labour rights and environmental standards. Its primary activities are to document the effects of corporate conduct, engage directly with relevant decision-makers on such findings and advocate for lasting policy change through public dissemination campaigns. Building on the methodology and findings of the two earlier reports of the FF India network and using its knowledge of working conditions in the garment sector Cividep has prepared this report to provide a case study of the formal garment export manufacturing industry using FFG methodology.

1 https://fairfinanceguide.org/ff-international/about-us/
2 Fair Finance Guide International Methodology, Anniek Herder, Hester Brink, Michel Riemersma, Profundo, (8 March 2018), available at (https://fairfinanceguide.org/media/374013/ffgi-policy-assessment-2018-methodology-final.pd)
3 Bank Policy Assessment 2019, Fair Finance India Coalition, (2019) available at https://fairfinanceindia.org/media/495381/fair-finance-india-report_1311_final.pdf
4 Banking on India's Coal Conundrum, Fair Finance India Coalition, Environics Trust (2019) available at https://fairfinanceindia.org/media/495382/coa-mining-report_141119_final.pdf

SECTION 1.2
Research Context

This report is an extension of Cividep's research interventions in the garment industry. In structuring and preparing this report, the authors have drawn on their past experience in analysing labour issues relating to the garment sector. Recently, Cividep has completed a public case study on the availability of social security for women workers in garment export manufacturing companies in the Bengaluru region[5].

The garment industry occupies a critical role in India's labour landscape as a significant source of employment in the economy.[6] The trends of the overall manufacturing sector reflect in the garment industry as well - finished and high value goods produced for both international and national markets by millions of variously skilled workers, and yet underscored by downward spiralling working conditions aided by loosening of labour norms and laws. In the face of an increasingly long shift, recently proposed by a decision to transition to a constitutionally questionable 12-hour workday,[7] work-place violations of rights have been reported widely.[8] These include physical violence and bullying on the shopfloor, non-payment of earned wages, sexual assault and harassment, lack of access to statutorily guaranteed facilities such as toilets and creches. Another consistent trend is that in recent times the pace of work through shorter deadlines has increased manifold. Workers have frequently reported dissatisfaction, and anger and despair at their plight. One prominent grievance is that overtime work is common but hardly remunerated satisfactorily. One investigative report from a garment factory in the Delhi NCR hub noted the routine of the workplace was so intense that when an elderly worker collapsed in his seat, it took a significant amount of time for those working near him to respond.[9] These incidents are not one-off, and rarely recorded in a systematic manner. It is the context of such prevailing work conditions that we place our report and its findings.

Research Objectives

In this research we focussed on 10 Indian banks funding 36 Indian garment factories (out of a total funding pipeline of 1,62,000 crore INR)[10] and their ESG policies by initially analysing the top 100 garment exporting companies in India as per market capitalization. The selection of these garment manufacturing companies was based on the twin filters of firm size and media reports of violations of certain ESG parameters. These parameters are broadly based on themes of labour, social and gender equality rights that comprise Cividep focus areas. To this we added the overlay of the companies that we have experience of engaging with in connection with business responsibility. A combination of these two filters led us to shortlisting 36 companies which we chose to analyse for this report - starting with mapping the financial flows.

We establish the link between banks and the garment companies through Charges on Assets form filings with the regulator (Ministry of Corporate Affairs).[11] Most commercial loans (i.e., at arm's length distance and not between related companies) would necessarily involve collateral and thus be reported in the regulatory index of charges. One pertinent point to note at this juncture is the threshold limit for our study - we chose 10 banks with 1 crore INR of exposure to the garment sector as a lower minimum to improve data quality.

5 Maternity Benefits and Social Security in the Garment Industry in Bangalore, Cividep India, (August 2019), available at (https://www.researchgate.net/publication/344151318_Maternity_Benefits_and_Social_Security_in_the_Garment_Sector_in_Bangalore_A_report_for_Cividep_India)
6 Apparel and Garment Industry and Exports, India Brand Equity Foundation, (Jan 2021), available at (https://www.ibef.org/exports/apparel-industry-india.aspx)
7 Labour Code Draft Rules Propose 12 Hour Workday, Sishir Sinha, Hindu Business Line (November 2020) available at (https://www.thehindubusinessline.com/news/occupational-safety-code-labour-ministry-proposes-maximum-of-12-working-hours/article33140900.ece)
8 Garment Workers on Poverty Pay are left without (…), Clean Clothes Campaign, (8 August 2020) available at (https://cleanclothes.org/news/2020/garment-workers-on-poverty-pay-are-left-without-billions-of-their-wages-during-pandemic)
9 TAILOR-MADE LIVES: Accidents and discontent among the garment Industry workers in Udyog Vihar Haryana, PUDR, (4 June 2015), available at https://www.pudr.org/tailor-made-lives-accidents-and-discontent-among-garment-industry-workers-udyog-vihar-haryana
10 CRIF and SIDBI, Industry Spotlight Vol -III, available at https://www.sidbi.in/files/article/articlefiles/CRIF-Industry-Spotlight-Vol-III.pdf
11 The MCA mandates companies to report when collateral is created because of loans taken by them, when such collateral is modified and finally extinguished. See MCA, Amendment Notification (2019) available at https://www.mca.gov.in/Ministry/pdf/CompaniesRegistrationChargesAmendRule_01052019.pdf

Before embarking on the data collection exercise, we framed two questions that we aimed for our analysis to answer. They are as follows:

1 **WHAT IS THE NATURE OF THE DEBT FINANCING OF GARMENT COMPANIES BY FINANCIAL INSTITUTIONS?**

IS IT POSSIBLE TO MAP THE POLICIES OF THESE BANKS, TO SHOW: (A) CURRENT REPORTING STANDARDS AND (B) THE GAPS THAT EXIST BETWEEN CURRENT REPORTING AND EFFECTIVE REPORTING STANDARDS? **2**

For question (1), we draw on both our on-ground experiences as well as the experiences of our partner organisations during our combined and separate interventions. While statistics about the size and impact (on growth and employment) of the sector are drawn from publicly reported data of the Government of India, reports on human rights violations are from public media reports and CSO research publications. We have consciously diversified our sources in order to provide a typical view of the bank funding options that an average garment export manufacturing company would have at its disposal.

For question (2), we undertake a detailed empirical study of selected banks. The policies of these banks have been analysed using a derivation of an existing framework, FFG (2018), to benchmark policies of financial institutions. In summary, the method we followed closely matches that of the FFG methodology with some important modifications, explained in detail in Part 2. Briefly the process followed for this research is thus:

First, we picked the garment companies based on size (top 100 companies by market capitalization), prior intervention by us as well as media reports on violations.

Secondly, we mapped the major debt investments into these companies using public loan collateral data from the MCA from a snapshot of public filings in August 2020. A sample of the public record is contained in fig 1 below. It is important to note that loan portfolios of companies are subject to change not just due to financial requirements of the company but also fluctuations in prevailing interest rates and consequently on the overall cost of capital. In terms of the timeframe of our data collection, a snapshot was captured in August 2020 and an update was undertaken in January 2021.

Thirdly, we selected 10 Indian banks from around 25 banks that were present in the funding linkages that we established in the second step. To ensure comparison between similar financial institutions, we chose to exclude FIs which were not full-service formal banks, from the ambit of this study. Further, a category of banks called regional rural banks were not considered in this study due to negligible exposure to the relevant companies. The 10 banks represent a mix of public, private, and co-operative banks. Of these, 9 banks were chosen with existing financial linkages while one bank was chosen as a control unit with no linkage to the garment industry (at least to the extent of our sample set).

12 Debt financing occurs when a firm raises money for working capital or capital expenditures by selling debt instruments to individuals and/or institutional investors. In return for lending the money, the individuals or institutions become creditors and receive a promise that the principal and interest on the debt will be repaid. The other way to raise capital in debt markets is to issue shares of stock in a public offering; this is called equity financing. James Chen, Debt Financing, Investopedia (2021) available at https://www.investopedia.com/terms/d/debtfinancing.asp

13 We found significant changes which suggest that such data collection should be iterated at not more than 30 day intervals in order to have an accurate, real-time picture of the debt funding landscape for a set of companies.

BUSINESS RESPONSIBILITY REPORT

Crucial to understanding how banks frame their ESG policies is the analysis of the Business Responsibility Report ('BRR'). BRR forms the foundation of ESG reporting in India, particularly for banks. While this is a voluntary disclosure for all registered Indian companies, it is compulsory for all companies listed on the stock market bourses (National Stock Exchange and the Bombay Stock Exchange) to publish this report as per obligations under the ICDR. In 2020, an updated BRR format was published after stakeholder consultations. The report[14] accompanying the new BRR reporting standard acknowledges the need for specific BRR formats for each sector where general reporting standards fall short. It also makes it clear that the regulator's intent is to make BRR compulsory for all companies. We appreciate that the BRR will be the site of policy change in the medium to long term.]

Finally, using the BRR (and other auxiliary policy documents), we scored the policy reporting of the banks based on a framework we developed at this stage. This framework is based on the Fair Finance Guide, modified to the extent applicable to the Indian garment sector. The data collection was done manually, and we noted that a significant number of BRRs were difficult or impossible to access consistently on the public webpages of the banks. Mandating sustainability reporting as a separate reporting mechanism from reporting on financial performance has been on the regulatory radar globally since 1989. In India, we noted that the National Voluntary Guidelines of 2011 are most commonly used standards on which most companies have benchmarked their ESG performance.

14 Report of the Committee on Business Responsibility Reporting, Ministry of Corporate Affairs (2020) (https://ies.gov.in/pdfs/Report-Committee-BRR.pdf)

Fig 1 - Showing MCA record of charges

Company CIN/FCRN/LLPIN/FLLPIN: L18101KA2004PLC033475

Company / LLP Name: GOKALDAS EXPORTS LIMITED

Charges Registered

SNo	SRN	Charge Id	Charge Holder Name	Date of Creation	Date of Modification	Date of Satisfaction	Amount	Address
1	H91524595	100288456	RBL BANK LIMITED	13/09/2019	-	-	600000000.0	SHAHUPURI,KOLHAPUR,KOLHAPURMa416001IN
2	C63817423	10449675	Canara Bank	19/09/2013	10/09/2015	-	6680000000.0	No.105-110,Avenue Plaza, Avenue Road,BangaloreKA560002IN
3	A83340646	10215010	Corporation Bank	30/03/2010	-	-	1820000000.0	Industrial Finance Branch, Rallaram Bldg.No.30, Mission Road,BangaloreKA560027IN
4	C74847484	80010401	CANARA BANK (LEADER BANK)	29/05/2004	26/11/2015	-	7136000000.0	No.105-110,, Avenue Plaza,Avenue RoadBangaloreKA560002IN
5	Y10299108	90197209	CANARA BANK	13/05/1997	-	-	30000000.0	AVENUE ROAD BRANCHAVENUE ROADBANGALOREKA560002IN
6	Y10298803	90196904	CANARA BANK	31/08/1995	23/04/1999	-	100000000.0	AVENUE ROAD BRANCHAVENUE ROADBANGALOREKA560002IN
7	Y10301922	90200023	CANARA BANK	31/08/1995	23/04/1999	-	100000000.0	AVENUE ROAD BRANCHBANGALOREKAIN
8	Y10298804	90196905	CANARA BANK	31/08/1995	12/05/2004	-	100000000.0	AVENUE ROAD BRANCHAVENUE ROADBANGALOREKAIN
9	Y10300708	90198809	CANARA BANK	03/04/1995	17/10/1997	-	50000000.0	AVENUE ROAD BRANCHBANGALOREKA560002IN
10	Y10301899	90200000	CANARA BANK	03/04/1995	17/10/1997	-	50000000.0	AVENUE ROAD BRANCHBANGALOREKAIN

Fig 2: Showing a Business Responsibility Report

BUSINESS RESPONSIBILITY REPORT

[Pursuant to Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. **Corporate Identity Number (CIN) of the Company:** L65190GJ1994PLC021012
2. **Name of the Company:** ICICI Bank Limited
3. **Registered address:** ICICI Bank Tower, Near Chakli Circle, Old Padra Road, Vadodara – 390 007, Gujarat, India.

   Note: The Board of Directors at its meeting held on May 9, 2020 approved the shifting of registered office of the Bank from the State of Gujarat to the State of Maharashtra, subject to the approval of Members and other regulatory approvals, as may be required. The Bank has received no-objection from the Reserve Bank of India to the proposal of shifting the registered office, subject to compliance with the guidelines and statutory provisions as applicable.
4. **Website:** www.icicibank.com
5. **E-mail id:** companysecretary@icicibank.com
6. **Financial Year reported:** 2019-2020
10. **Markets served by the Company – Local/State/National/International**

    ICICI Bank serves customers in national and international locations.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. **Paid up Capital:** ₹ 12.94 billion
2. ***Total Turnover:** ₹ 912.47 billion

   **Total turnover represents the sum of "Interest earned" (Schedule 13 of the financial statements) and "Other income" (Schedule 14 of the financial statements).*
3. **Total profit after taxes:** ₹ 79.31 billion
4. **Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):**

   The Bank has spent ₹ 1,343.5 million or 2.1% of its average net profits of the last three financial years ending March 31, 2017, March 31, 2018 and

Fig 3: Sample media report of labour rights violations in garment company

Home / Business / Trade Data / News

It's happened again! Orient Craft' workers protest over pending wages

by Apparel Resources News-Desk | 02-July-2020 | 2 mins read

Fig 4: Showing media report of gender equality right violation in banks

Bloomberg | Quint Markets Business BQ Blue Exclusive Videos Research Reports

HSBC Sexual Harassment Case Shows Banks' Struggles in MeToo Era

Stefania Spezzati

Bookmark

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Last Updated on April 13 2019, 3:25 AM

SECTION 2

WORKING CONDITIONS IN THE GARMENT INDUSTRY

An Overview

The garment industry in India occupies an important place in the Indian economy - contributing around 2 percent to the Gross Domestic Product (GDP), 7 percent to the total industrial production, 25 percent to total export earnings and employing a formal and informal workforce of 45 million and around 55 million people respectively.[16] The industry is estimated to be worth around USD 100 billion in 2021 - reflecting a contractionary trend; from its net worth in 2017, around USD 108 billion. In terms of numbers employed in the whole economy, it stands second only to agriculture.

Both in terms of potential productive investments as well as employment creation, the sector demands attention from a macro-policy making perspective. Our primary focus in this report is on the formal workforce in the garment industry.

From previous experiences of economic recessions, we are aware that downward pressures on profitability tend to worsen working conditions. In the present recession caused due to the demand shocks of the Covid-19 pandemic, ripples are being felt across the sector. We see the regressive trends in the global supply chain during the pandemic repeated in India - the vicious cycle of lower consumer demand, cancelled orders, dilution of workers' legal rights leading to non-payment of wages and mass layoffs.[17] As supply chains are subjected to intensifying competition, ensuring the availability of sources of credit and revenue become important priorities for the management of export-focussed garment companies. Traditionally being a steady source of capital, the bank occupies a critical role in sanctioning loans (for working capital or for capital expenditure) to garment companies, particularly if these companies are unable to increase or diversify their revenue in the face of tough international competition. When approached with request for new loans or extensions of old loans, banks typically conduct a credit risk assessment exercise – wherein risk professionals, using prescribed metrics, data analytics and algorithmic tools map the ability of the garment company to pay back its loan.[18] ESG issues may present a significant liability risk to the bank – resulting in significant asset-liability mismatches (inability to pay loans is one example of this mismatch) in the medium to long term horizons. Thus, the bank loan as transaction is led by two specific groups of people – risk assessment vertical of banks and the management of the garment exporting companies. In such a scenario, it is imperative for policy makers to urgently intensify focus on decision-making regarding the movement of debt capital into the sector. Incorporation of an ESG-risk based metric in the credit risk assessment algorithms for loans by banks could be one way ensure the correct incentives for reporting ESG violations. Another route for policy makers could be to sensitise both the bank's risk function as well as the management of garment companies of ESG risk and how asset-liability mismatch that can result from it can endanger profitability and the health of the respective balance sheets. Benchmarking ESG reportage through effective standards is the third possibility.

ESG risk can have several direct or indirect implications on working conditions which require more attention. For example, lack of timely wages could reduce workers well-being but also lead to poorer quality of work which in turn would affect competitiveness of the garment-exporting company. This is an important area to explore as the links between working conditions, competitiveness, and ability to attract bank loans will have significant impact on the transition pathway to an ESG-centric future.

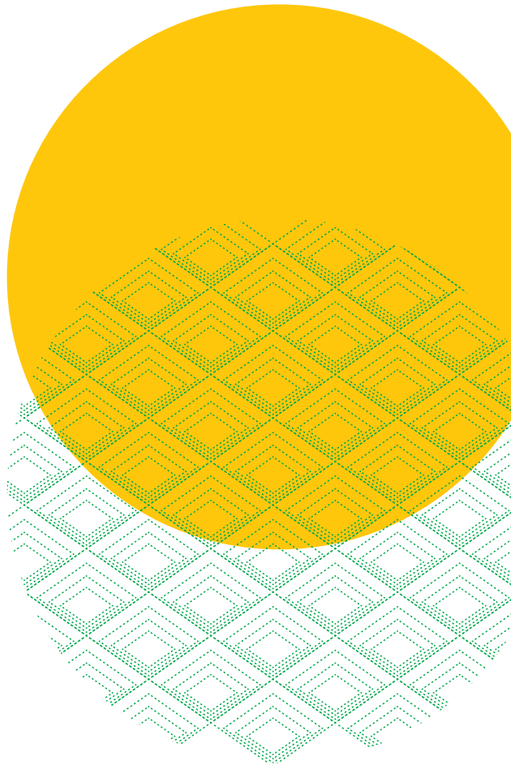
Notwithstanding the importance of funding links to this sector and a detailed documentation of the workers' experience, the progressive labour rights agenda in this sector has been blunted in recent years. Indeed, as the trend of slow retreat of the ambit of labour legislations continues, ostensibly in the garb of consolidation in four labour codes - statutory rights find themselves at the risk of slow dilution.

16 Apparel and Garment Industry and Exports, India Brand Equity Foundation, (Jan 2021), available at (https://www.ibef.org/exports/apparel-industry-india.aspx)
17 80% Export Orders Cancelled Textile Units Eye Government Relief, Meenakshi Sharma, The Times of India, (18 May 2020), available at https://www.business-humanrights.org/en/latest-news/thousands-of-workers-in-garment-supply-chains-in-asia-protest-over-dismissals - https://timesofindia.indiatimes.com/city/indore/mp-80-export-orders-cancelled-textile-units-eye-govt-relief/articleshow/75800869.cms
18 The Future of Bank Risk Management, McKinsey Working Papers on Risk, available at

At a macro-economic level, researchers have demonstrated the trend of a long-term stagnation and slow-down in productivity growth in the manufacturing sector (of which the garment industry is a part). This is significant to understand because while service sector productivity growth has always been slow, the manufacturing sector has seen waves of growth spurts - put down by economic historians as the result of rapid automation or innovation. This view however has been challenged, as a long term slow-down in output is seen leading to wide-spread deindustrialization across the globe. This process of de-industrialisation of the manufacturing sector is particularly disastrous in the global South where industrialization itself has been an incomplete process. A manifestation of this trend can be seen in the garment manufacturing sector reducing its contribution to the GDP over time as well as losing business to international competition.

A number of studies in recent years have thrown light on the working conditions in the various shop floors of garment manufacturing factories. This case-study is more concerned with the 'S' of the ESG- labour rights, human rights, gender equality. Three major hubs that dominate the output of gross garment manufactured for export have been chosen for our study; these are - Bengaluru, Tirupur and Delhi NCR. Worker profiles from the Bengaluru and Tirupur hubs show a skew in favour of women workers as opposed to the Delhi NCR hub. Apart from this difference in gender composition, there are similarities - all three hubs have around half of their workers formally employed but almost all of the recruitment and pay-roll management is handled by third party labour contractors.

In earlier decades pre-liberalisation, 'full-piece tailors' in garment manufacturing companies used to be prevalent. These workers would typically work from home or on the factory floor, sometimes using their own sewing equipment to stitch one complete article of clothing for which they were paid a lump-sum amount. In line with the deskilling trends seen in other parts of the manufacturing spectrum, since 1990, the industry has moved to a factory assembly line system. In this 'chain system' of production workers only get to work on certain aspects of a garment in a repetitive fashion, like say adding buttons, which has not only made certain types of skills redundant but has allowed basic pay (inflation adjusted) for this type of work to decline over the last 30 years.



19 Automation and the Future of Work, Aaron Benanav (2020)
20 Three Charts show how Indian Textile Industry lost the race to Bangladesh and Vietnam, Mayank Jain, Mint, (29 June 2016) available at https://scroll.in/article/810671/three-charts-show-how-indian-textile-industry-lost-the-race-to-bangladesh-and-vietnam - https://www.livemint.com/market/mark-to-market/why-india-s-apparel-exports-are-falling-1555958315769.html
21 https://www.fibre2fashion.com/industry-article/316/glance-on-manufacturing-centers-of--indian-garment-industry#:~:text=Some%20of%20such%20garment%20industry,labour%20needs%20of%20specific%20products.&text=Centre%20has%20created%20a%20niche%20for%20small%20quantities%20of%20high%20value%20products.
22 TAILOR- MADE- LIVES: Accidents and discontent among the garment Industry workers in Udyog Vihar Haryana, PUDR, (4 JUNE 2015), available at https://www.pudr.org/tailor-made-lives-accidents-and-discontent-among-garment-industry-workers-udyog-vihar-haryana
23 TAILOR- MADE- LIVES: Accidents and discontent among the garment Industry workers in Udyog Vihar Haryana, PUDR, (4 JUNE 2015), available at (https://www.pudr.org/tailor-made-lives-accidents-and-discontent-among-garment-industry-workers-udyog-vihar-haryana)
24 TAILOR- MADE- LIVES: Accidents and discontent among the garment Industry workers in Udyog Vihar Haryana, PUDR, (4 JUNE 2015), available at (https://www.pudr.org/tailor-made-lives-accidents-and-discontent-among-garment-industry-workers-udyog-vihar-haryana)

The Shop Floor

The typical shop floor is organised around a two-tiered skill level and management hierarchy. Master tailors and supervisors draw better wages than the rank-and-file tailors and it is their direction over the production process that defines the workflow on the shop floor. A full-blown garment manufacturing unit is divided into various departments - sampling (makes samples for approval to buyer companies), cutting (bulk preparation of cloth by initial cutting), quality assurance (testing quality of final articles), production (bulk stitching) finishing department (sophisticated stitching work) among others.

We see the two-tier structure internally replicated in each department although some departments (like quality assurance) may have more supervisors depending on the management's priorities and assessment of the importance of the department. Within the rank-and-file workers, it has been noted that samplers may occupy the most privileged positions in terms of pay and perks - this is because approvals from the buyer company is a critical step for mass production of approved samples. For a thoroughly standardised and atomised mass production process, the sample creation in the pre-production process falls to the most experienced workers who retain some control as the process of sample approval is critical. Interestingly enough, attempts to introduce algorithmic management of the workplace (algorithmic supply chain management) in the garment sector concentrate on automating this aspect of the pre-production process - potentially eliminating the one area of some relative control over the production process by experienced workers.[25] One area of exploration that requires attention is to link the efforts at automation in the garment industry to its effect on working conditions. In the next subsection, we take a detailed look at some specific work conditions in supply chains we have investigated.

Working Conditions in the Hubs

According to the World Bank, 2017, India is the sixth-largest economy globally with a Gross Domestic Product of USD 2.5 trillion. As per the National Investment Promotion and Facilitation Agency reports, the domestic textile industry contributes 5% of India's GDP and 12% to the country's export.[26] India's textile and apparel industry is the second-largest employer employing 45 million citizens in the country. The top five states with textile and clothing manufacturing units are – Andhra Pradesh, Telangana, Haryana, Jharkhand, Gujarat. States like Karnataka, West Bengal, and Tamil Nadu are fast movers due to the increase in garment units. Garment Industry in India - Bangalore, Tirupur and Delhi.[27]

The garment industry in Karnataka contributes to 70% of the state's industrial output and is also known as the 'Garment Capital of India.'[28] The state capital, Bangalore, is the largest garment manufacturing hub of Karnataka, with around 1,200 garment factories and employing 5,00,000 workers.[29] A majority (about 80%) of the workforce are women workers from rural parts of Karnataka and Tamil Nadu. Under the government schemes of skill development and employment services, young women workers in their early and late twenties from Jharkhand, Odisha, Assam, and Madhya Pradesh are also employed in these factories.[30]

Among the southern states, apart from Karnataka, Tamil Nadu is considered an important centre of the garment industry. Chennai and Tirupur are considered the largest hubs in Tamil Nadu employing a minimum of 300 workers and a maximum of 2500 workers each in the 40 registered factories.[31] Tiruppur is the seventh-largest city and fastest developing city in Tamil Nadu. As per the industry sources, the garment industry in Tirupur exports garments worth Rs 26,000 crore every year and provides employment to around 5,00,000 workers, among which 1,50,000 are migrant workers.

The garment factories in Delhi NCR are usually in Okhla, Gurgaon, Faridabad, and Noida. The majority of the factories in this region are medium-sized factories employing around 400 - 500 workers and a few large-sized factories employing 3000 - 4000 workers. Unlike Bangalore and Tirupur, the majority of the workers employed in these factories are male garment workers from states like Bihar and Uttar Pradesh while a handful of small and large factories and home-based companies employ women garment workers. These workers are usually employed as contract workers in the factories.[32]

Working conditions in specific factories

The export brands sourcing from garment factories in India,[33] primarily from the three major regions include[34] - Adidas, Abercrombie and Fitch, Benetton, C&A, Columbia Sportswear, Decathlon, Gap (Old Navy and Banana Republic), Grays, H&M, Inditex, Jack and Jones, JC Penny, Khols, Levi Strauss and Co. (Levi's), Mango, Marks & Spencer (M&S), Mothercare, Old Navy, Only, Polo, Primark, PVH (Tommy Hilfiger and Calvin Klein), Target and Walmart, Zara.[35]

A. Wages

As per the United Nations Universal Declaration of Human Rights (Article 23) it is the right of every worker to receive fair and just remuneration, which would help the individual and their family live a dignified life. This wage is often described as 'Living Wage'.

The minimum wage in Karnataka is based on the classification of labour like - unskilled, semi-skilled or skilled workers and the geographical location of the factory.[36]

In the garment factories, all workers except for tailors are considered unskilled workers and these workers are paid lower than the skilled workers. Apart from the classification, gender also plays a role in the payment of wages for workers. Women workers are paid lower than their male counterparts for the same type of job. As majority of the workers in this sector are women and many are from single-headed households they often find it difficult to make ends meet.[37]

A study by the National Law School of India University, shows that garment workers (skilled and unskilled workers) in Bangalore, on an average are paid wages from Rs 6000 – 8000 per month for nine hours of work per day and for six days a week.[38] Trade unions, Civil Society Organisations, and Labour Rights Activists in Karnataka have been demanding the government increase the minimum wages for garment workers from February 2018. Despite workers' repeated demands and protests, the government has excluded garment workers in the revised increment in minimum wages for 73 scheduled employments.[39]

In Tiruppur, the wages paid to workers vary with the type of work carried out by the worker. The Global Living Wage Coalition report, 2016 shows that workers employed as helpers earn the lowest wages while workers employed as cutters earn the highest wages.[40] The same report depicts that the wage provided by the factory is 45% less than the minimum living estimated by the coalition. As per the Tamil Nadu Minimum Wages Act, 2018, it is mandated for the textile industry to pay workers not less than Rs 322.70 per day regardless of the type of employment the worker belongs to.[41] Several interviews with activists, CSOs, researchers have time and again shown that though it is a mandate, most of the factories do not abide by the rules.[42] Workers receive a pay of Rs 5000 per month which is insufficient to take care of the needs of the family due to the high cost of living in cities. Therefore, workers end up taking huge loans from personal networks to take care of their family and their needs. Women and migrant workers experience wage discrimination while piece-rate workers can demand higher wages based on the production and number of hours they work.[43]

25 An Investigation into Indian Apparel and Textile Supply Chain Networks, Prabir Jana, (Aug 2010), available at (http://irep.ntu.ac.uk/121/1/198495_Prabir%20Final%20-%20printers%20version.pdf)
26 India-Knitting the Future, Invest India, available at (https://www.investindia.gov.in/sector/textiles-apparel)
27 Top Five Textile and Clothing Manufacturing Indian States, Apparel Resources, (20 July 2018), available at (https://apparelresources.com/business-news/sourcing/top-5-textile-and-clothing-manufacturing-indian-states/)
28 Karnataka: Destination for World Textile & Garment Industry, Department of Handloom and Textiles, Karnataka, (October 2017), available at (https://karnatakadht.org/pdf/Background%20Paper%20Textiles%20and%20Apparel.pdf)
29 For Bengaluru's Garment Hub Workers, the Minimum Wage is Actually the Maximum Wage, Rohini Mohan,Scroll.in, (19 April 2017), available at (https://scroll.in/article/834986/for-bengalurus-garment-hub-workers-the-minimum-wage-is-actually-the-maximum-wage)
30 Labour without Liberty-Female Migrant Workers in Bangalore's Garment Industry, Pramita Ray and Marijn Peepercamp, GLU, CCC, (26 January 2018), available at (http://www.indianet.nl/pdf/LabourWithoutLiberty.pdf)
31 Chennai's Garment Workers Forever Exploited, as Watchdog Looks the Other Way, Laasya Shekhar, Citizen Matters, (5 August 2021), available at (https://chennai.citizenmatters.in/women-garment-workers-covid-19-violence-30986)
32 India Country Study 2019, Fair Wear Foundation, (5 January 2019), available at (https://api.fairwear.org/wp-content/uploads/2019/06/CS-INDIA-2019.pdf)
33 The World's most Vulnerable Workers aren't in Factories – and Global Brands Need to Step Up to Protect Them, WIEGO, (21 April 2020), available at (https://www.wiego.org/blog/worlds-most-vulnerable-garment-workers-arent-factories-and-global-brands-need-step-protect)
34 Karnataka Garment Workers Demand Agreed Minimum Wage, IndustriAll Global Union, (19 September 2019), available at (http://www.industriall-union.org/karnataka-garment-demand-agreed-minimum-wage)
35 False Promises and Mobility Restrictions Plague Migrant Workers In Bengaluru's Garment Sector, Jahnavi Sen, The Wire, (29 January 2018), available at (https://thewire.in/economy/bengaluru-garment-industry-migrant-workers)
36 Labour without Liberty-Female Migrant Workers in Bangalore's Garment Industry, Pramita Ray and Marij Peepercamp, GLU, CCC, (26 January 2018), available at (http://www.indianet.nl/pdf/LabourWithoutLiberty.pdf)
37 Working Conditions of Migrant Garment Workers in India: A Literature Review, International Labour Organisation, (13 March 2017), available at (https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_554809.pdf)
38 Critiquing the Statutory Minimum Wage: A Case of the Export Garment Sector in India, Mohan Mani (…), Institute of Public Policy, (May 2018), available at (https://mpp.nls.ac.in/wp-content/uploads/2019/02/Paper-5-Critiquing-the-Minimum-Wage.pdf)
39 Karnataka Garment Workers Demand Agreed Minimum Wage, IndustriAll Global Union, (19 September 2019), available at (http://www.industriall-union.org/karnataka-garment-demand-agreed-minimum-wage)
40 Living Wage Report for Urban Tiruppur, Tamil Nadu, India, Sandhya Barge(..), The Global Living Wage Coalition, (May 2018), available at (https://www.isealalliance.org/sites/default/files/resource/2018-05/Tiruppur%20Living%20Wage%20Report%20%28FINAL%29%20May%2017.pdf)
41 https://paycheck.in/salary/minimumwages/tamil-nadu/tamil-nadu-minimum-wage-w-e-f-april-1-2018-to-march-31-2019
42 A certification Scheme Cleans Up its Act in India: Thousands of Workers Get a Pay Rise, Anu Kultalahti, Finnwatch, (6 November 2019), available at (https://finnwatch.org/en/blog/666-a-certification-scheme-cleans-up-its-act-in-india:-thousands-of-workers-get-a-pay-rise-)
43 Decent Work and Economic Growth in the South Indian Garment Industry, Andrew Crane(..), University of BATH, (6 March 2019), available at (https://www.bath.ac.uk/publications/decent-work-and-economic-growth-in-the-south-india-garment-industry/attachments/decent-work-and-economic-growth-in-the-south-india-garment-industry.pdf)

Research by the Fair Wear Foundation showed that 47% of the factories in Delhi did not pay the legal minimum wages for their workers. The payment for both factory-based and home-based workers was not evident due to a lack of documentation. None of the garment factories in the three states provided minimum wages/living wages to their workers.[44]

Wages related research shows that male garment workers in Delhi receive wages of around Rs 12,000 (138 Euros) while the women workers in Bangalore receive Rs 9000 (103 Euros) which includes bonus, overtime etc. The male workers during the interview stated that these wages were sufficient for them to take care of their family's needs, while the women workers stated that the wages were insufficient for them to take care of their family's needs. As a result, most workers are forced to consume a monotonous and low-calorie diet, reside in houses with inadequate facilities, have poor access to healthcare facilities, commute to work using unsafe and personal modes of transportation, find sending remittances difficult to family members back in their villages and do not have any discretionary surplus.[45]

Research has shown that due to food insecurity at home, women garment workers are malnourished, suffer from anaemia, reproductive issues and other health issues like headache, fatigue, mental stress, or depression due to work pressure, respiratory diseases, posture-related disease (i.e., backaches, leg, neck and hand pain), skin allergies, eye strain, gastrointestinal issues and urinary tract infections.[46]

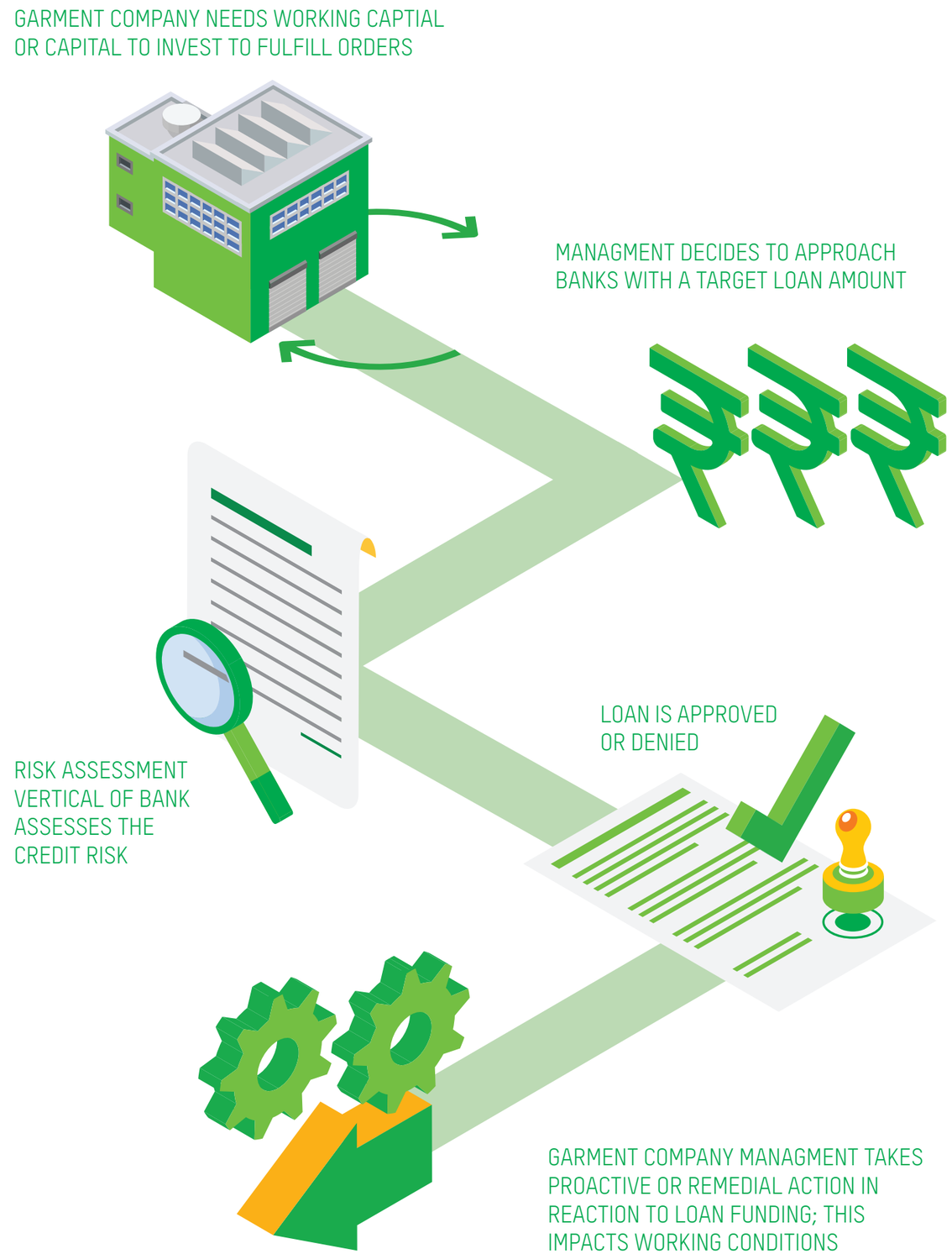
In order to save money, workers shift to rural areas as the cost of living is cheaper than the urban areas. As a result of this, they resort to unsafe transport facilities and spend considerable time and effort on travelling.[47] If workers are unable to shift to rural areas, they reside in houses with poor facilities where workers do not have access to drinking water and lack clean and hygiene toilets as they are usually shared with the community. The majority of the women workers shared that they had to take up high interest loans from neighbours, informal lenders and acquaintances to take care of their family needs, due to which they are in debt.[48] Reports have shown that many women workers do not exit their engagement with savings, but rather with huge debt.[49]

In the garment sector, working overtime seems to be normalised as workers work overtime in order to make up for their meagre wages or due to job security. Considering the evidence on working hours in the three regions, it is evident that workers in Delhi are forced to work longer hours than workers in the other two regions. Though workers worked for nine hours a day than the legally stipulated eight hours of work, they were forced to work overtime for four to five hours during peak periods while two hours overtime during regular days.[50]

Reports have shown that the majority of the factories in Delhi did not document the overtime hours and even if maintained, it was usually unreliable. Researchers have reported that workers usually work around 70 to 100 hours per week and are either paid at a single rate or left unpaid if workers do not reach the set production target. Workers are usually forced to work overtime, if workers deny doing so they are usually terminated from work.[51]

44 India Country Study 2019, Fair Wear Foundation, (5 January 2019), available at (https://api.fairwear.org/wp-content/uploads/2019/06/CS-INDIA-2019.pdf)
45 Sourcing Dynamics, Workers' Rights, and Inequality in Garment Global Supply Chains in India, Mark Anner, The Pennsylvania State University, (15 November 2019), available at (https://ler.la.psu.edu/gwr/documents/copy_of_CGWRGarmentSourcingandWorkersRightsinIndiaNov.152019.pdf)
46 India Country Study 2019, Fair Wear Foundation, (5 January 2019), available at (https://api.fairwear.org/wp-content/uploads/2019/06/CS-INDIA-2019.pdf)
47 Survey on Garment Workers in Karnataka-2015, CWM, GATWU, (2015), available at (https://www.scribd.com/doc/311330553/Survey-on-garment-workers-in-Karnataka-2015)
48 Do We Buy It? A Supply Chain Investigation into Living Wage Commitments from M&S and H&M, Labour Behind the Label, (February 2016), available at (https://labourbehindthelabel.org/wp-content/uploads/2016/02/DoWeBuyIt-spreadssml.pdf)
49 The 'Afterlife' of Cheap Labour: Bangalore Garment Workers from Factories to the Informal Economy, Alessandra Mezzadri, Sanjita Majumder, FEDI, , Cividep India Working Paper, (2018), available at (https://www.soas.ac.uk/fedi/research-output/file137455.pdf)
50 Working Conditions of Migrant Garment Workers in India: A Literature Review, International Labour Organisation, (13 March 2017), available at (https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_554809.pdf)
51 India Country Study 2019, Fair Wear Foundation, (5 January 2019), available at (https://api.fairwear.org/wp-content/uploads/2019/06/CS-INDIA-2019.pdf)

Fig. The Bank Funding Pathway



B. Benefits

As per the legal regime, women garment workers in Karnataka are entitled to social security entitlements like - maternity benefits, medical benefits, sickness benefits, Provident Fund ('PF'), pension and gratuity. Research conducted by Cividep has shown that though a majority of the women were aware of the entitlements, the level of awareness changed with respect to women's caste, religion, migration status and their earnings. A common practice amongst workers aware of the entitlements is to avail their PF once they complete five years of service. Due to low wages and indebtedness workers usually avail their PF frequently.[52] As per case studies from the field, PF money helps workers clear their debts, pay for their family's healthcare at the time of emergency, for the marriage of their children and pay fees of their children's education. Corrupt practices such as withholding social security deductions and not paying them into government departments are also prevalent.[53]

As per the Gratuity Act, 1972, an employee who has completed 5 years is eligible to receive 15 days of pay a year. Majority of the workers are unaware of the benefit and do not avail of this benefit. Workers who are aware of it are usually terminated when they complete 4.5 years and re-appointed as a new employee leading to a break in their service and eventually losing their benefit. Due to the fear of losing their only source of income, workers do not question the management of the same. As per the Tamil Nadu Labour Welfare Rules, 1973, the employee, employer and government pay a certain amount of money to the board that could be used by the workers at the time of financial crisis. Though it is a mandate as per the law of the land, this is usually not followed in the factories.

A study by Society for Labour and Development (SLD) stated in the ILO research found that less than half of the export factories in the Delhi NCR region had enrolled themselves under the PF and ESI department of the region. Majority of the factories employing workers as contract workers did not deduct wages from workers as part of the social security benefit despite being announced as a mandate by the law.[54]

C. Migrant Workers

The same report shows that migrant garment workers are recruited - directly by the factory, the contractors, or recruiters ('thekedaars'), government agencies that provide training to workers and through family members/relatives/ acquaintances. Majority of the migrant workers in Bangalore are recruited directly by the factory. Most of the migrant workers are intrastate rural migrant workers or interstate migrant workers from states like Bihar, Chhattisgarh, Jharkhand, Odisha, Assam, and Madhya Pradesh. Most of the migrant workers employed in the factories are women workers between the age of 18 - 20 years and a few are above the age of 20.

Most of the migrant workers are provided with hostel accommodations by the factory management at a walkable distance from their factory and rent for the same is deducted from their wages. Research and interviews with grassroots organisations have mentioned that 5 to 6 workers are cramped in a small single room and the hygiene facilities are poorly maintained by the warden in these hostels. These workers buy their own groceries and cook their own meals, usually taking turns. They do not have any source of information or entertainment for themselves. These workers are instructed to return to the hostel immediately after working hours and not to loiter. There are strict restrictions on the usage of mobile phones and surveillance on their movement outside the hostel premises as well.
Most of the workers employed in the garment factories in Tirupur are recruited through contractors and are often considered contract workers. As per the ILO, 2017, (mentioned previously), these workers appointed as migrant workers are usually employed as - piece-rate workers, daily wage workers and helpers in the factories. The recent trend shows that the majority of the workers appointed are usually considered contract workers. The reasons for the increase in employment of contract workers are - easier hire and fire of workers, underpayment of wages to workers, lack of proof of employment and absence of social security benefits make it beneficial for factories to employ workers as contract workers. The same report also mentions that contract workers are compelled to work as forced labourers. Under the Sumangali scheme ("the term 'sumangali' is a Tamil word meaning happily married woman and the employment scheme was portrayed as an opportunity for young single women to earn a living till marriage), adolescent girls and young women between the age of 14 to 20 years are recruited.[55] These workers do not have access to clean and hygienic sanitation facilities and nutritious meals. All of these issues are included under the eleven criteria of forced labour outlined by the International Labour Organisation (ILO).
Around 70% of the workforce in Delhi are migrant workers from the neighbouring states like Bihar, Uttar Pradesh and to a certain extent from Madhya Pradesh, Orissa and West Bengal. These workers usually belong to the scheduled castes/ tribes and other backward classes of the society. They receive training from government entities under the National Skill Development Mission for a certain period after which they are eligible to be employed in the garment industry. Migrant workers are appointed as contract or piece-rate workers.

Working Conditions in the Covid-19 Pandemic

A survey by Garments Mahila Karmikara Munnade and Alternative Law Forum, 2020 showed that majority of the garment factories in Karnataka, either did not pay wages or paid 50% or lesser wages to their workers for the month of April due to the month-long lockdown. As the lockdown was eased in the month of May for factories, workers who reported to work were paid wages only for the days they had worked. Factories cancelled the transport facilities to workers traveling from rural areas making it difficult for such workers to commute which eventually led to workers either quitting their job or resorting to unsafe or expensive means of transport. Workers who did not receive wages were neither helped by the employers or the local government with dry ration or economic support. Though the government announced an economic package, the majority of them did not receive any such support. Workers were forced to pledge their jewellery or borrow money for huge interest from relatives/acquaintances to take care of the needs of the family. A survey by Business for Social Responsibility (BSR) HER project, 2020, shows that workers made use of their savings during the lockdown period only to afford food for themselves and their families for a day or two.[57]

Migrant garment workers were not paid wages as well making it difficult for them to survive. These workers did not receive any aid from their employers or the local government during the lockdown. Workers were unable to travel back home due to a lack of transport and economic support. Workers had to eventually depend on Civil Society Organisations and trade unions to provide them cooked meals or dry rations for their survival.
Workers in Tiruppur experienced a similar trend. Despite orders from the government of Tamil Nadu to pay wages for workers during the lockdown period, workers hadn't received their weekly / monthly wages on time. As majority of the workforce in Tirupur are intra and inter-state migrant workers, they were employed as piece-rate workers. These workers were never provided with social security benefits prior to the pandemic. During the lockdown, neither did these workers receive wages from the factory nor did they receive monetary compensation/food ration support from the government or had social security benefits on which they could rely. These workers had to depend on the civil society organisations and trade unions to help them with food rations and monetary support.[58]

52 Maternity Benefits and Social Security in the Garment Sector in Bangalore: A report for Cividep India, Shraddha Chigateri, Cividep India, (August 2019), available at (https://www.researchgate.net/publication/344151318_Maternity_Benefits_and_Social_Security_in_the_Garment_Sector_in_Bangalore_A_report_for_Cividep_India)
53 Sourcing Dynamics, Workers' Rights, and Inequality in Garment Global Supply Chains in India, Mark Anner, The Pennsylvania State University, (15 November 2019), available at (https://ler.la.psu.edu/gwr/documents/copy_of_CGWRGarmentSourcingandWorkersRightsinIndiaNov.152019.pdf)
54 Working Conditions of Migrant Garment Workers in India: A Literature Review, International Labour Organisation, (13 March 2017), available at (https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_554809.pdf)

55 Forced Labour and Ethical Trade in the Indian Garment Industry, Annie Delaney, Jane Tate, Vulnerability, Exploitation and Migrants Insecure Work in a Globalised Economy, (January 2015), available at (https://www.researchgate.net/publication/299536743_Forced_Labour_and_Ethical_Trade_in_the_Indian_Garment_Industry)
56 Press note, Pratibha, Swathi Shivanand, Garment Mahila Karmikara Munnade, Alternative Law Forum, (25 May 2020), available at (http://altlawforum.org/wp-content/uploads/2020/05/engpress_note_garments_study_working_hours.pdf)
57 "I can Hardly Sustain my Family" Understanding the human cost of the Covid-19 pandemic for workers in the supply chain, Business for Social Responsibility, (December 2020), available at (https://www.bsr.org/reports/BSR-HERproject-Human-Cost-Pandemic-Report.pdf)
58 Lockdown Effect: Thousands of Workers in Tamil Nadu's Garment Industry Lose Three Weeks' Wages Despite Government Orders, Fair Fear Foundation, (8 April 2020), available at (https://www.fairwear.org/stories/lockdown-effect-lakhs-of-workers-in-tamil-nadus-garment-industry-lose-3-weeks-wages-despite-government-orders/)

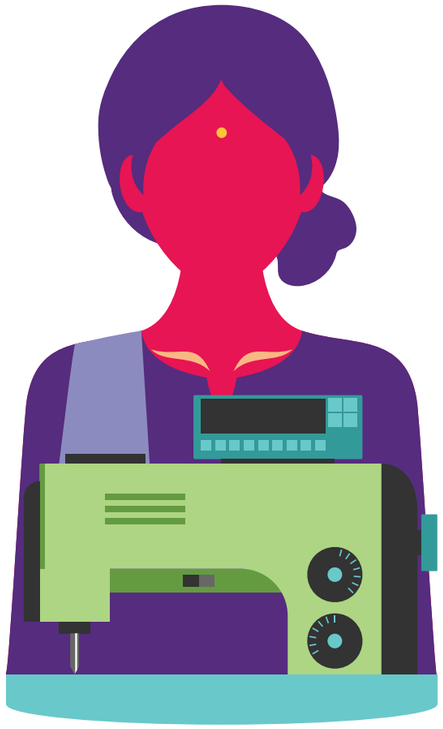
Condition of Women Workers

A research study in 2016, shows that the majority of the women workers employed in the garment industry in Tirupur are aged between 23 - 37 years and earned around Rs 5001 to Rs 10,000 while women workers in Bangalore earn around Rs 9500 to Rs 12,000 (as per interviews with other organisations) and in Delhi unskilled workers receive Rs 14,842, semi-skilled workers receive Rs 16,341 and skilled workers receive Rs 17,991 per month.[59]

The reason for the increase in the number of women workers employed in the textile industry as stated in research is due to - increase in the low-cost workforce and the inability of the women workers to organise and collectively bargain for better wages and better working conditions.[60]

The garment industry in Bangalore, Tirupur factories also employ women workers as it is easy to extract work, pay lower wages, force them to work overtime for free and reduce work and environmental standards. If women workers refuse to work as per the norms set by the management, they are terminated or summarily dismissed. Women workers in a patriarchal society do not have the independence to answer back to their male supervisors or stand up for themselves when they are yelled at. These factors are behind the preference demonstrated by the factory management to employ women workers.[61]

Most of the factories in the regions appoint men as supervisors and as higher officials, women workers are rarely promoted. The reason being the patriarchal society and feel that it is easier to extract work from women workers by male supervisors than by a female supervisor. In Delhi, the majority of the factories appoint men as workers due to cultural norms and due to the belief, that men workers are more productive than women workers. Hence, when workers leave their job, they do not have savings to rely on. Research has time and again stated that gender pay gap/wage discrimination exists in all three regions. Women workers employed for the same positions are usually paid lower wages than men workers. Women workers usually quit working in this sector by age of 40 or 45 years due to high production targets and lack of access to nutritious food and sufficient breaks while at work. This has led to workers being malnourished and anaemic. Due to low wages and lack of social security benefits, these women workers take up jobs like selling flowers and vegetables, domestic work, and other small tailoring jobs.[62]



Violence at the workplace on women workers by men officials is usually considered routine in the garment factories. Violence such as verbal, physical, and sexual harassment are quite predominant in the garment factories. Women workers are abused, intimidated by the men in the factories. Though the majority of the workers face such harassment, they usually do not complain to the authorities due to the fear of job loss or being victimised by their co-workers' or are unaware of the ICC in the factories or poor functioning of the committee. Workers are usually abused on the pretext of being unable to achieve the difficult production targets set by the management. Most of the workers are verbally abused by the supervisors and in-charges on a regular basis for the same while victims of sexual abuse are usually migrant or single aided women workers. In Tiruppur, workers are sexually harassed on a regular basis. Resisting such harassment would lead to workers usually losing their job or being victims of low wages /wage cuts or forced overtime work. Through reports, it is evident that women workers usually face physical and verbal abuse due to workers not being able to achieve the extremely high production targets.

A study conducted on identifying the prevalence of health problems in the garment workers of Tirupur found that the majority of the workers had musculoskeletal problems - neck, knee, lower back and all body parts, suffered from anaemia, had visual issues like - headache and burning sensation, watering, irritation, pain and redness in the eyes, double vision and discolouration of objects, suffered from gastrointestinal and respiratory problems and lifestyle diseases, irregular menstrual periods, difficulties in concentrating and tiredness, which adversely impacts their productivity. Long working hours, sitting posture, lack of sufficient breaks are some of the risk factors leading to workers developing such health issues.[63]

Covid-19 pandemic and the subsequent lockdown has made it worse for the women workers and garment workers. As per the World Bank, 2020 the Covid 19 pandemic has not been gender neutral. Instead, it has affected women and the women workforce greater than men.[64] There are reports on garment sector workers facing higher risks of contracting Covid than workers from other sectors.[65] As per the Labour Minister of Karnataka, in the year 2020, Karnataka had 983 garment factories and employed 2,86,747 women workers but after the pandemic and subsequent lockdown one lakh women workers haven't returned to work as factories haven't resumed operations yet.

Interviews with the grassroots organisations have shown that though factories have reopened young women workers with children and pregnant workers are unable to return to work. Factories have dismissed pregnant women stating lack of notification from the government for employing them and the need to ensure safety measures as the primary reason. Due to lack of notification from the government on the re-opening of creche facilities in the factories, factories have closed creches making it difficult for young women workers with children below the age of six years to return to work.

Local and migrant workers in Tirupur were not paid wages for the lockdown period leaving them to rely on their savings which is sufficient to take care of their needs for a day or two. Workers had to forgo their meals and let go of some of their essential commodities in order to save money during and post covid period. Apart from non-payment of wages, lack of employment and social protection has led to women workers facing gender-based violence at home.[66] Research by different CSOs have shown that though women workers were harassed at home, the majority of them considered it to be normal and never bothered complaining to the police or other authorities and seeking protection from their husbands and in-laws. Along with these challenges and issues, there has been an increase in the amount of unpaid care in households by women workers. Due to shutting down of schools and financial burdens, young girls are forced to drop out from school and take care of the family by either being employed in garment factories or to take care of the younger children at home.

59 Women Employee Rights in Garment Industry, Tirupur, Nathiya Thangaraj (..), International Journal of Social Sciences and Management, (April 2016), available at (https://www.researchgate.net/publication/301740453_Women_Employee_Rights_in_Garment_Industry_Tirupur)
60 An Overview of Tirupur: the Textile City in India, Yoganandan, Global Journal for Research Analyses, (March 2015), available at (https://www.worldwidejournals.com/global-journal-for-research-analysis-GJRA/fileview/March_2015_1426077619__22.pdf)
61 Exploitation or Emancipation? Women Workers in the Garment Industry, Fashion Revolution, (2015), available at (https://www.fashionrevolution.org/exploitation-or-emancipation-women-workers-in-the-garment-industry/)

62 India Country Study 2019, Fair Wear Foundation, (5 January 2019), available at (https://api.fairwear.org/wp-content/uploads/2019/06/CS-INDIA-2019.pdf)
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64 Gender Dimensions of the Covid-19 pandemic, World Bank Group, (16 April 2020), available at (https://openknowledge.worldbank.org/bitstream/handle/10986/33622/Gender-Dimensions-of-the-COVID-19-Pandemic.pdf?sequence=1&isAllowed=y)
65 Recommendations for Garment Manufacturers on how to Address the Covid-19 Pandemic, International Labour Organisation, (15 April 2021), available at (https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_741642.pdf)
66 Understanding the Agency of Female Migrant Workers in the Time of Covid -19: The Case of Tirupur Garment Cluster, Anjali Krishnan, International Institute of Social Studies, (December 2020), available at (https://thesis.eur.nl/pub/55453/RP-ANJALI-KRISHNAN.pdf)

THE ASIA FLOOR WAGE

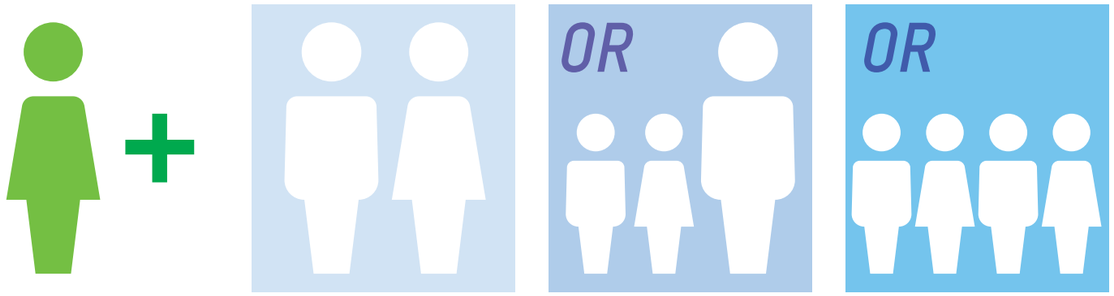
(AFW) is calculated based on the following assumptions

1

A WORKER IS SUPPORTING THEMSELVES

1X WORKER +

2X ADULT DEPENDANTS OR
1X ADULT + 2X CHILDREN
4X CHILDREN



2

50%

OF MONTHLY SALARY GOES TOWARDS FOOD, BASED ON 3,000 CALORIES A DAY, PER ADULT.

3

40%

CLOTHING, HOUSING, TRAVEL COSTS, CHILDREN'S EDUCATION, HEALTH COSTS.

4

10%

TOWARDS DISCRETIONARY INCOME (SOME ENTERTAINMENT, SAVINGS, PENSION OR IF MAIN EARNER LOSES THEIR JOB.

OBSTACLES TO A LIVING WAGE

LACK OF COLLECTIVE BARGAINING

HOW MUCH IS A LIVING WAGE?

HOW MUCH DO LIVING WAGES ACTUALLY COST

LOW PRODUCTIVITY

NEED FOR REAL WORLD EXAMPLES

COMPETITION LAW

HOW TO GET THE MONEY TO THE WORKERS

GENDER DISCRIMINATION

GARMENT INDUSTRY STRUCTURE AND PRACTICES

GARMENT SECTOR WORKERS FACE HIGHER RISKS

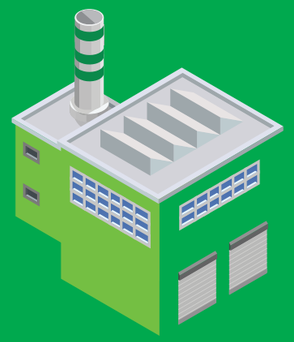
PREDOMINANTLY YOUNG WOMEN, LIMITED SKILLS AND EDUCATION

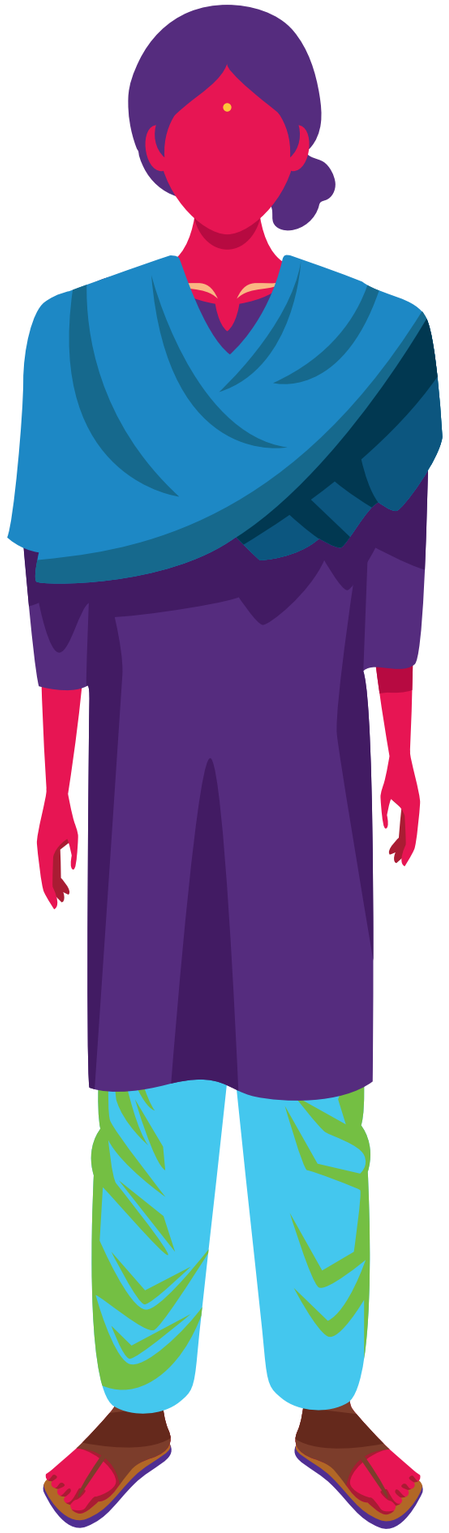
LOW WAGES STILL CRITICAL FOR MEETING BASIC NEEDS OF FAMILIES

FACE HIGHER RISKS OF VIOLENCE AND HARASSMENT

MIGRANT WORKERS RARELY COVERED BY SOCIAL SCHEMES

INCREASED EXPOSURE RISK TO COVID 19





SECTION 3

FINANCE AND SUSTAINABILITY

In a modern capitalist economy, the financial sector forms the grease that keeps the wheels of the economy spinning. Capital moves in the economy in two roles; of being both an input of production as well as an output - it functions as an input for the productive sectors of the economy while being an output for the financial institutions. In this section we briefly discuss the transmission mechanism between finance (particularly debt capital) and sustainable development. We note that finance having a facilitative and indeterminate role in corporate operations leads to weak linkages on sustainable outcomes. However, these linkages may be relatively stronger through the route of debt financing and lender sensitivity than it is through shareholder activism and equity funding.

WHAT IS DEBT EQUITY RATIO AND WHY IS IT IMPORTANT?

Understanding the debt profile of a company is critical to understanding what the credit worthiness of a company may be. A basic but fundamental way to do this is to view the debt: equity ratio of the funding of a company. Values below one signifies that the company is well within its means to repay when it is entering the debt financing market while higher values signify higher debt stress. In our sample set, we typically see values of debt: equity ratio to be between 2-3x, a sign that most of these companies have significant debt burdens. A higher debt burden may signify more bargaining power for the financial institution to influence discussions on sustainable business decisions.

Why Focus on Debt rather than Equity Finance?

Finance is closely connected to sustainability: the capital that fuels economic production leads to environmental impact as well social impact on the workplace and the associated communities. In academic literature as well as in the industry it is seen that there is a disproportionate focus on equity capital and shareholder activism on the sustainable outcomes while other monitoring channels such as those done by lenders have been largely neglected. In an important contribution to literature on sustainable finance, Scholtens et.al. make the succinct point that debt capital is the dominant method of financing globally and is almost three times the size of equity capital.[67] Further, he demonstrates empirically that imposing a ESG check before sanctioning equity investments has little to no adverse effect on financial returns or the credit risk undertaken. Thus, he notes, the scope of shareholder activism in equity finance is limited. On the other hand, he finds debt capital - composed of both private capital as well as bank loans practiced by firms lending debt capital does not lead to lowering of returns on capital but in many cases may end up enhancing financial performance. In asking the macro-economic question 'does financial flows affect sustainability outcomes' he finds that the data shows no real differences between ESG conscious funds and traditional funds in terms of the risk they undertake in an investment and consequently the returns. This means that equity finance and the monitoring channel of activist shareholders is questionable in its impact. On the contrary, debt finance and focus on bank reporting may yield more optimal outcomes.

Why should concerned stakeholders focus on debt finance? Here, scholars have made a powerful case that debt finance can perform much better than equity capital[68] in ensuring sustainable outcomes because of a number of reasons:

First, the size of debt capital and within debt capital the proportion of bank funding is quite high compared to equity funding as well as other types of debt funding. In countries such as India where the equity markets are regulated closely and bond markets are under-developed, this point holds especially true for garment manufacturing companies. These companies turn to banks for most of their funding with a small proportion of funding coming from non-banking financial companies (NBFC) (around 8.66% of total credit in the sector).[69] In simpler terms, we find that garment manufacturing companies are dependent on loans both for their infrastructure development as well as day to day operations. [70]

Secondly, debt finance usually is fresh funding rather than business-as-usual funding and hence internally in banks there is an urgent assessment of the risk profile of the borrower. Since there is a lot of scrutiny of financial reporting which does filter out high risk loans it stands to reason that there is a greater chance that a consensus based ESG risk perspective can be introduced and can actually compel garment companies to turn their business operations to be sustainable. Shareholder activism is focussed, by design, on post-investment monitoring and enforcement stages - while an ESG focus in debt finance would bring attention to the screening process itself. Course correction can work better when the intervention is at an earlier stage of the investment/ loans' lifecycle in the borrower company.

Thirdly, it is seen that the credit appraisal or screening process of loans already does take into account a number of non-financial performance aspects such as qualitative features of the borrower company as a proxy for its viability. In simpler terms, mandating ESG filtering of companies may be a closer fit to risk assessment in debt investments as opposed to similar assessments for equity investments.

67 Finance as a Driver of Corporate Social Responsibility, Bert Scholtens, Journal of Business Ethics, (14 July 2006), available at (https://link.springer.com/article/10.1007/s10551-006-9037-1)
68 Finance as a Driver of Corporate Social Responsibility, Bert Scholtens, Journal of Business Ethics, (14 July 2006), available at (https://link.springer.com/article/10.1007/s10551-006-9037-1)
69 CRIF and SIDBI, Industry Spotlight Vol -III, available at (https://www.sidbi.in/files/article/articlefiles/CRIF-Industry-Spotlight-Vol-III.pdf)
70 CRIF and SIDBI, Industry Spotlight Vol -III, available at (https://www.sidbi.in/files/article/articlefiles/CRIF-Industry-Spotlight-Vol-III.pdf)

Finally, it is the scope of interventions from the civil society space that lend themselves better to debt capital than to equity. As described previously, debt capital moves to firms in fresh tranches, the credit worthiness of such funding being appraised by long standing risk assessment departments. It may be easier and more cost effective in the short term to provide an ESG-risk perspective to the personnel of these risk management departments of banks rather than the alternative of changing the behaviour of retail equity investors or of private venture capitalists.

Banks sit at the apex of the financial sector at the top of the economic pile; this gives them a birds' eye view of the value flowing across the economy. Violations have a ripple effect beyond that of increasing the cost of raising capital for the particular company indulging in violation. Loss of goodwill, brand value and difficulty in attracting new talent and customers are associated effects that ultimately affect the lender's return on capital. This is the business case that must be made to banks in order to sensitise them to the unsustainable nature of these loans.

From a risk assessment perspective, building ESG awareness internally can thus help banks with a starting point to reform or exit these high-risk investments. Considering how widespread some of these unsustainable business practices are, it is important for banks to engage firmly with evidence, build trust and induce sustainable practices. Our report is thus aimed towards providing banks with a roadmap and starting point to build resilience in their loan books.

By focussing on bank-led funding of the garment sector and lenders (as opposed to the route of equity funding and shareholder activism) as the potential site of policy struggle and effective change, we acknowledge the outsized impact that debt capital can have on sustainable development outcomes. In India, scholars have used content deviation analysis (Mann Whitney U test) for studying CSR policies[71] as well as sustainable outcomes pertaining to the environment.[72] However, it is acknowledged that sustainable outcomes related to the social aspect in ESG outcomes has been largely unexplored in the field of corporate sustainability.

"Various frameworks, guidelines and standards have been evolved nationally and internationally like National Voluntary Guidelines (in India), Global Reporting Initiative (GRI), United Nation Global Compact (UNGC) principles, ISO 14001 and ISO 26000 which are widely adopted by organisations to improve social & environmental performance (Isaksson & Steimle 2009; Gupta & Mohanty 2014; Mitra & Schmidpeter 2017). Range of studies have been conducted in the field of sustainability reporting especially, in developed and developing economies (see, Willis 2003; Frost et al. 2005; Raman 2006; Roca & Searcy 2012; Khan et al. 2009; Ghosh 2017), but there is scant empirical research on the extent of sustainability reporting by Indian companies." (emphasis added).[73] Our report is a case study which aims to fill this lacuna in understanding of how debt funding can affect sustainable reporting and perspectives in significantly large sectors of the economy.

71 Examination of Sustainability Reporting Practices in Indian Banking Sector, Kishore Kumar and Ajay Prakash, SpringerOpen, (10Jan 2019), available at (https://ajssr.springeropen.com/articles/10.1186/s41180-018-0022-2)

72 Examination of Sustainability Reporting Practices in Indian Banking Sector, Kishore Kumar and Ajay Prakash, SpringerOpen, (10Jan 2019), available at (https://ajssr.springeropen.com/articles/10.1186/s41180-018-0022-2)

73 Examination of Sustainability Reporting Practices in Indian Banking Sector, Kishore Kumar and Ajay Prakash, SpringerOpen, (10Jan 2019), available at (https://ajssr.springeropen.com/articles/10.1186/s41180-018-0022-2)

ROLE OF FIS

Screening, monitoring, and enforcement are the key actions of the financial intermediaries when financing economic activities. Screening is the information production and processing about prospective lenders or investment objects. The lender or investor is primarily concerned with the trade-off between risk and return. By economizing on the information costs, financial institutions improve the assessment of the investment opportunities, with positive effects on resource allocation. By improving information about enterprises, management and market conditions, the financial institutions may accelerate firm growth.

SCHOLTENS, 2006

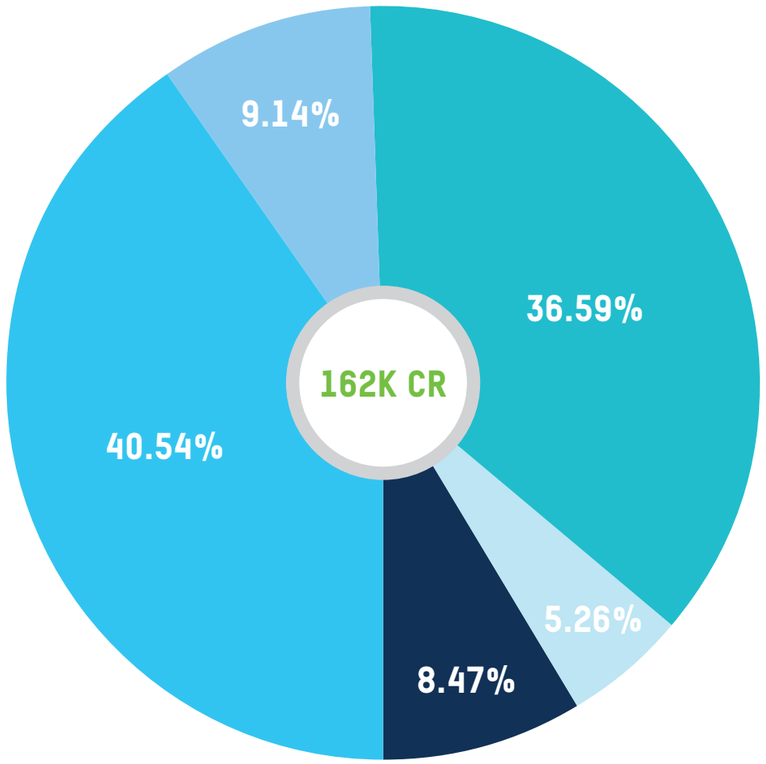
SUSTAINABILITY DISCLOSURES IN INDIA

It was found that sustainability issues which are of the highest priorities for the banks are directly related to their business operations like financial inclusion, financial literacy, energy efficiency etc. The disclosure of the environmental care practices and internal socio-environment conduct policies by the private sector banks was considerably low as compared to the PSBs. The increased adoption of NVGs and disclosure of BRR contributed to higher disclosure of sustainability indicators by PSBs as against private sector banks in India. Overall, it was also found that sustainability reporting by banks in India is still in the nascent stage and leaves more to be desired; only six banks (one PSB and five private sector banks) publish standardised sustainability report.

KUMAR, 2019

TEXTILES AND APPARELS

FINANCING PATTERNS
(MARKET SHARE BY VALUE)



PUBLIC SECTOR BANKS

FOREIGN BANKS

PRIVATE BANKS

NBFC'S

OTHERS

SOURCE: CRIF BUREAU, INDIA

PART 2

UNDERSTANDING THE DATA

SECTION 1
DETAILED METHODOLOGY

We made a number of modifications in how we chose to apply the framework of the Fair Finance Guide. A core, necessary assumption of the FFG methodology is that it is possible to reliably obtain policies of the investee companies themselves as well as their counterparties. However, the state of ESG data is not sophisticated in India - reliable information is not always available at the level of the investee companies. This is why our primary focus in this case study has been the policies of the banks themselves. We will attempt to show that current policy commitments by banks are insufficient to identify or remedy various violations in the garment sector. These gaps can be the basis for outlining the contours of a garment-sector specific BRR format in the long term.

FFG methodology also assumes that it is possible to obtain granular commitment about whether each policy of the bank covers only itself or other stakeholders in its business ecosystem. Again, the current BRR format and bank reporting practices do not provide such details in a reliable and systematic fashion. This is why we try to highlight the gap between current practices and an effective reporting standard. At no point, from our position as researchers, are we attempting to create comprehensive documentation of policy violations of the banks' customers. Instead, our attempt is to create the conditions in which statutory ESG reporting, over time, would allow important stakeholders to seamlessly conduct such an exercise. Documenting of working conditions, vetting for policy violations as well as public and transparent record keeping are critical to provide a space for healthy debate about the pace and direction of sustainability efforts. Our report aims to provide a direction towards taking the FFGI methodology forward at scale in the garment export industry in India.

EVOLUTION OF STANDARDS LEADING UP TO THE BRR

For our purposes, the following relevant guidelines and their applicable provisions have been excerpted below. We undertook this exercise in order to contextualise the underlying intent behind the guidelines on which the final reporting document, the business responsibility report, would be based. These are three in number:

National Voluntary Guidelines 2011 ("NVG 11") - prepared by the Ministry of Corporate Affairs[74]

National Voluntary Guidelines for Responsible Financing - Prepared by the Indian Banks Association ("NVGRF")[75]

National Guidelines for Responsible Business Conduct 2019 -Prepared by the Ministry of Corporate Affairs ("NGRBC")[76]

NVG11

Principle 3 Businesses should promote the well-being of all employees
Principle 4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

NVGRF

Principle 6 excerpts

"-Financial institutions should develop an understanding of their stakeholders' needs, interests and expectations to inform and guide their strategy and decision-making.

-The principle recognises that projects funded by financial institutions may also adversely impact the disadvantaged, vulnerable and marginalised sections of society. Financial institutions should thus seek appropriate disclosures from their clients on such aspects, including details of redress of complaints from the project affected people.

-Financial institutions should build appropriate mechanisms to resolve grievances of their stakeholders in a timely, just and equitable manner."

74 National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, Ministry of Corporate Affairs of Government of India, (July 2011), available at (http://www.nfcg.in/pdf/national_voluntary_guidelines2011.pdf
75 National Voluntary Guidelines for Responsible Financing, Indian Banks Association, (May 2017), available at (https://www.iba.org.in/iba_data/attachdocs/jul-2018/1532502771528.pdf) (https://fairfinanceindia.org/bank-guide/policy-tracker/2017/indian-banks-association-national-voluntary-guidelines-for-responsible-financing/)
76 National Guidelines of Responsible Business Conduct, Ministry of Corporate Affairs, (https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf)

Principle 7 excerpts -
"The principle recognises that a financial institution's commitment to upholding human rights should cover its own operations (including labour and working conditions), as well as its investments to assess the treatment and management of human rights by its clients.

-The principle emphasises that the approach to human rights should be consistent with promoting the requirements and improving the enforcement of the national regulatory requirements on human rights; and such international norms and declarations that India is signatory to.

-The principle also asks financial institutions to recognise that its responsibilities include all its stakeholders mapped in line with Principle 6 – own employees, contracted employees (e.g. banking correspondents), value chain members, individual customers etc., with a special emphasis on those who are disadvantaged"

NGRBC

"The NGRBC intends to not just make companies more responsible and accountable but also to create a whole ecosystem to 'Protect, 'Respect & 'Remedy' as envisaged in the UNGPs" - Hon. Prime Minister's foreword

"The NGRBC urges businesses to conduct business responsibly and sustainably and also encourage and support their suppliers, vendors, distributors, partners and other stakeholders to follow the same principle." - Hon. Finance Minister's foreword

Principle 3 -

"Businesses should promote and respect the right to freedom of association, participation of workers, and collective bargaining of all employees including contract and casual labour.

Businesses should ensure fair, timely and transparent payment of statutory wages of all its employees, including contract and casual labour without discrimination.

Businesses should create systems and practices to ensure a humane workplace free from, violence and harassment (including sexual harassment); a workplace where employees feel safe and secure, with adequate provisions for grievance redressal."

Principle 5 -

"The Governance Structure should ensure that the business has in place such policies, structures and procedures that demonstrate respect for the human rights of all stakeholders impacted by its business. This includes carrying out human rights due diligence to identify, prevent, mitigate and account for how they address adverse human rights impacts.

The Governance Structure should ensure that their business, where it is causing, contributing or otherwise linked to adverse human rights impacts, takes corrective actions to address such impacts.

Businesses should promote the awareness and realization of human rights across its value chain. "]

In terms of statutory documents provided by banks, the minimum necessary is the Annual Report (impact on society section) and the Business Responsibility Report. The NGRBC should be the benchmark on which the BRRs are drafted although BRRs mostly have references to NVG 11. This may indicate the lack of enthusiasm that businesses have shown in voluntarily adopting the newer standards suggested by the regulator. One way to resolve this is to spark greater granularity in reporting by involving more stakeholders, something the Report[77] of the Committee on Business Responsibility Reporting by the MCA alludes to in seeking specific applications of the BRR reporting standard in various sectors. Another route is expanding the scope of scrutiny into sustainability reporting, again the capital markets regulator, SEBI, has posited the intention to expand the scope to all listed companies.[78]

It is to be noted that the BRR is usually included under a broader Sustainability Report but there is a legal mandate to publish the BRR along with the Annual Report[79] in the form of Regulation 34(2)(f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular No. CIR/CFD/CMD/10/2015 dated 4th November, 2015 which mandates the inclusion of Business Responsibility Report (BRR) as part of the Annual Report for Top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year) at BSE and NSE.

77 Report of the Committee on Business Responsibility Reporting, Ministry of Corporate Affairs (2020) (https://ies.gov.in/pdfs/Report-Committee-BRR.pdf)

78 Report of the Committee on Business Responsibility Reporting, Ministry of Corporate Affairs (2020) (https://ies.gov.in/pdfs/Report-Committee-BRR.pdf)

79 https://www.sebi.gov.in/legal/regulations/jan-2020/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-january-10-2020-_37269.html

Policy Documentation of Banks

SECTION 2
ASSUMPTIONS AND LIMITATIONS

One of the main underlying assumptions behind this study is that the public filings of collateral (in the Registry of Charges) is representative of all the loans that the company is currently availing. Two types of loans fall outside the scope of study - (a) any loan without any security or collateral (b) group company loans which do not have collateral . For the present analysis, we have chosen to focus on banks but this focus leaves sources of funding unexplored. This is presently a blindspot, made possible because the regulatory regime does not mandate either a disclosure of all related companies or a list of all loans rather than just all collateral. One way of building robustness in this aspect would be to either mandate disclosure of the entire loan portfolio of the company or to include a disclosure of all related entities. Either of these routes would allow robust tracking of loans and lending networks, the first step in analysing the role that debt capital has on sustainable outcomes in the garment industry.

A second assumption in our case study is that the BRR is the main sustainability reporting document that a company can choose to disclose sustainability policies and their effect on outcomes. Logically, this flows from the fact amongst the possible options (Sustainability Report, Annual Report, Sustainability Policy/Review), the BRR has the most legislative backing as discussed in the earlier sections. It is possible that all companies do not share this prioritisation particularly those who are not listed companies. While this assumption works well for banks as most of the major banks are listed, this may not be true if other sectors are explored.

A third, follow-on assumption is the veracity and the accurate nature of BRR disclosures. While we base our interest on internal incidence tracking and public media reports, we have not undertaken to independently verify the BRR disclosures. Many of the BRRs we have analysed have been vetted by third party auditors but vetting in an accurate manner while being in a vendor-client relationship is an assumption that we have had to make keeping in mind the scope of this case study.

SECTION 3
THE SAMPLE SET

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OWNERSHIP TYPE	NAME OF BANK
Private	HDFC Bank
Private	IDFC First Bank
Public	Canara Bank
Private	ICICI Bank
Public	State Bank of India
Private	Yes Bank
Private	Axis Bank
Public	IDBI Bank
Public	Corporation Bank
Co-Op	SVC Co-operative Bank

The exercise of mapping financial flows through public loan collateral documents has revealed a large number of banks (in addition to financial intermediaries and non-banking financial companies) that are currently invested in the garment sector in India. We recognise that the objective of this report is to provide an empirical snapshot of the financial flows which are committed as sustainable funding but end up fuelling unsustainable practices. In view of this objective we have chosen 5 private sector banks,4 public sector banks and 1 co-operative bank. Based on the type of lending we have observed in our sample set of garment manufacturing companies, this mix is roughly representative of the kind of institutions that a typical garment company would consider for bank-funding of its activities.

Matrix of bank policy documentation

In this section, we provide a short visual overview of what kind of sustainability documentation was available for each bank as well as the quality of benchmarking of the filings.

STATE BANK OF INDIA	*UPDATED BRR WAS NOT AVAILABLE*			
Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes	2014-'15	No	NVG 11
Annual Report	Yes	2019-'20	Yes	NA
Sustainability Policy	No			
Sustainability Report	Yes	2019-'20	Yes	NVG 11
POSH	No			

CANARA BANK	*LARGEST EXPOSURE TO OUR SAMPLE SET*			
Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes (part of AR)	2019-'20	Yes	NVG 11
Annual Report	Yes	2019-'20	Yes	NVG 11
Sustainability Policy	Yes	NA	NA	
Sustainability Report	No			
POSH	Yes	2020	NA	NA

HDFC BANK	NO COMMENTS

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes	2019-'20	Yes	NVG 11
Annual Report	Yes	2019-'20	Yes	NA
Sustainability Policy	Yes	2020	No	NVG 11
Sustainability Report	Yes	2018-'19	Yes	NVG 11
POSH	Yes	2019	NA	NA

YES BANK	ONLY BANK TO REFERENCE A MULTIPLICITY OF STANDARDS ACROSS VARIOUS DOCUMENTS

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes (part of AR)	2019-'20	No	NVG 11
Annual Report	Yes	2019-'20	Yes	NA
Sustainability Policy	No			
Sustainability Report	Yes	2018-'19	Yes	NGRBC;GRI
POSH	No			

IDFC FIRST BANK	CONTROL BANK WHICH HAS NO FUNDING LINKS TO GARMENT SECTOR COMPANIES INCLUDED IN RESEARCH

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes	2019-'20	Yes	NVG 11
Annual Report	Yes	2019-'20	Yes	NA
Sustainability Policy	Yes	2019	NA	NVG 11
Sustainability Report	No			
POSH	Yes	2019	NA	NA

AXIS BANK	NO COMMENTS

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes	2019-'20	Yes	NVG 11
Annual Report	Yes	2019-'20	Yes	NA
Sustainability Policy	No			
Sustainability Report	Yes	2019-'20	Yes	NVG 11
POSH	No			

IDBI BANK	NO COMMENTS

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes	2019-20	Yes	NGV 11
Annual Report	Yes	2019-20	Yes	NGV 11
Sustainability Policy	No			
Sustainability Report	No			
POSH	No			NA

CORPORATION BANK	ACCESS TO PUBLIC DOCUMENTS WAS NOT ALWAYS CONSISTENTLY AVAILABLE

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	No	NA	No	NGV 11
Annual Report	No	NA	No	NA
Sustainability Policy	No			
Sustainability Report	No			
POSH	Part of Code of Conduct	2002		NA

SVC CORPORATION BANK	NO SUSTAINABILITY REPORTING FOUND

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	No	Not found	No	None
Annual Report	Yes	2019-20	No	NA
Sustainability Policy	No			
Sustainability Report	No			
POSH	No			NA

ICICI BANK	NO COMMENTS

Document Name	Present or Not	Last Published	Historicity (3 past iterations)	Benchmark - None; NGVRF or NVG 11; NGRBC; Higher Standard;
Business Responsibility	Yes (as part of AR)	2019-20	Yes	NGV 11
Annual Report	Yes	2019-20	Yes	NA
Sustainability Policy	No			
Sustainability Report	Yes	2019-20	No	NGV 11
POSH	No			NA

The Garment Companies

As mentioned before, these companies were handpicked for size and impact on sustainability outcomes. We started with our own experience of interventions, public charge filings with MCA, list of the top garment companies by size and most importantly media reports on violations. All companies in our sample belong to the three main hubs for garment export manufacture were chosen - those based in Delhi NCR, Bengaluru and Tirupur. (For a full list of the garment companies see Annexure 1.)

Analysis of Documents

Consistent with prior research on sustainability reporting in India,[80] we find a disproportionate focus only on environmental practices when discussing ESG activity of banks. For example, let us consider important banks of the public and private sector, SBI, Yes Bank and HDFC Bank. Their practices, documentation, and scores, are in the top percentile of the sample set. Yet, when it comes to reporting effectively on the sustainability practices related to the social themes of relevance, they fall short. The Annual Report of the SBI mentions that although there is mention of both social and environmental risk mitigation, the schemes undertaken suggest that only environment related action has been undertaken. When discussing the ESG filter for borrower companies, the ESMS,[81] no details of the social component of this filter and how it operates internally (methodology and results) have been provided. We find this story repeated across several banks, particularly those banks who have provided granular documentation on their sustainability practices. HDFC Bank's documentation mentions the presence of an ESG filter in the credit appraisal process and quotes aggregate statistics. Similarly, Yes Bank commits to a similar ESG filter in the credit appraisal process but neither policy offers details on how these mechanisms function. It is unfortunate but a demonstration of the gap between sustainability and current practices is found in that no evidence of any of the projects being rejected for violations related to social aspects of sustainability have been demonstrated in any public documentation of the banks in our sample set.

A PROMINENT PUBLIC SECTOR BANK DOCUMENT

'Integration of Environment and Social Management Systems (ESMS) in our Credit assessment process and business decisions have assumed critical importance.

The Bank also deploys a sector-agnostic, entry-level barrier assessment of environmental and social issues to loans amounting to between Rs. 5 crore and Rs. 50 crore, which is crucial to its decision-making process. For loans exceeding Rs. 50 crore, the borrower is evaluated on a number of ESG issues and allotted a score, to ensure responsible investment.'

80 Examination of Sustainability Reporting Practices in Indian Banking Sector, Kishore Kumar and Ajay Prakash, SpringerOpen, (10 Jan 2019), available at (https://ajssr.springeropen.com/articles/10.1186/s41180-018-0022-2)
81 An Environmental and Social Management System (ESMS) is a framework that outlines a set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its clients/investors.

A PROMINENT PUBLIC SECTOR BANK DOCUMENT

'As part of our credit policy, the Bank will continue to evaluate all loans, whether for greenfield projects or for regular capital expenditure, that have a value of more than INR 10 Crore and are for a period more than 5 years, for adherence to Environmental, Health, Social & Safety (EHSS) norms. Where an LIE[82] is appointed, the assessment of environment and social risks combined with the environment and social impact shall be a part of the scope of work of the LIE.

Social Consideration: Employment generation, Role in economic development of the region, compliance with labour laws, no exploitative / child / forced labour Resettlement & Rehabilitation: Number of families under rehabilitation, impact on livelihood, Facilities provided to families and its acceptability in the community, Number of villages / population affected by the project.']

Corporation Bank's documentation is an important example in the issues facing any exhaustive tracking of bank policies. Initially in the first phase of data collection in August 2020, we found that the BRR mentioned, in terms of responsiveness to stakeholder complaints, overall number of total number of complaints and resolution percentage as 582 in absolute numbers in the last financial year and 100% resolution of these complaints at the time of publication. This is insufficient for an empirical analysis of the various types of complaints, time required to resolve, potential bottlenecks and the criteria for resolution as well as stakeholder satisfaction. Without further details in reporting, the effectiveness of the stakeholder complaint resolution process remains unexamined. Later, in our verification phase, we noted that the website of Corporation Bank went under maintenance and with it all the present and past sustainability documentation. The latest BRR and the relevant up-to-date public documents were not publicly available at the time of writing this report. This experience highlights the need for an independent and accessible public portal to contain sustainability reporting information.

It is also important to note that overall, most banks are in the range of 25% match with our constructed framework. Unlike some of the sustainability reporting analysis in our literature review,[83] we find little to differentiate between public sector and private sector banks. Our control bank, IDFC First Bank, performed within the top percentile showing that sustainability reporting of garment sector funders is not particularly different from general funders. At the same time, while our sample set of garment companies showed mostly links to the biggest banks of the country, the smallest bank in our study, SV Co-operative Bank, did not perform well on our benchmark because of little sustainability documentation being available online. The next section contains the detailed results of the benchmarking.

82 Legal Instruments Examiners review legal documents such as tort claims, appeals, and other court documents to determine compliance with applicable laws, rules, regulations, and policies
83 Examination of Sustainability Reporting Practices in Indian Banking Sector, Kishore Kumar and Ajay Prakash, SpringerOpen, (10Jan 2019), available at (https://ajssr.springeropen.com/articles/10.1186/s41180-018-0022-2)

SECTION 4
THE RESULTS

We took a snapshot of the financial flows over a period of 15 days in August 2020. The following chart represents the result of the linkages that could be confirmed from the regulatory filings -

A) EXPOSURE TO GARMENT SECTOR SAMPLE (BANK-WISE)

NAME OF BANK	OWNERSHIP TYPE	EXPOSURE TO GARMENT SECTOR (IN INR CRORES)
HDFC Bank	Private	1383
IDFC First Bank	Private	0 (control)
Canara Bank	Public	3253
ICICI Bank	Private	125
State Bank of India	Public	945
Yes Bank	Private	200
Axis Bank	Private	233
IDBI Bank	Public	120
Corporation Bank	Public	246
SVC Co-operative Bank	Co-Op	100

TOTAL EXPOSURE (IN INR CRORES)	6605
AVERAGE EXPOSURE	660.5
TOP 3 BANKS	CANARA, HDFC, SBI

B) BANK PERFORMANCE - OVERALL MATCH WITH CIVIDEP BENCHMARK

BANK VIEW OF BENCHMARK SCORE

HDFC Bank	31.58%
IDFC First Bank	35.09%
Canara Bank	35.09%
ICICI Bank	26.32%
State Bank of India	35.09%
Yes Bank	31.58%
Axis Bank	26.32%
IDBI Bank	31.58%
Corporation Bank	26.32%
SVC Co-operative Bank	0.00%

THEME VIEW OF BENCHMARK SCORE

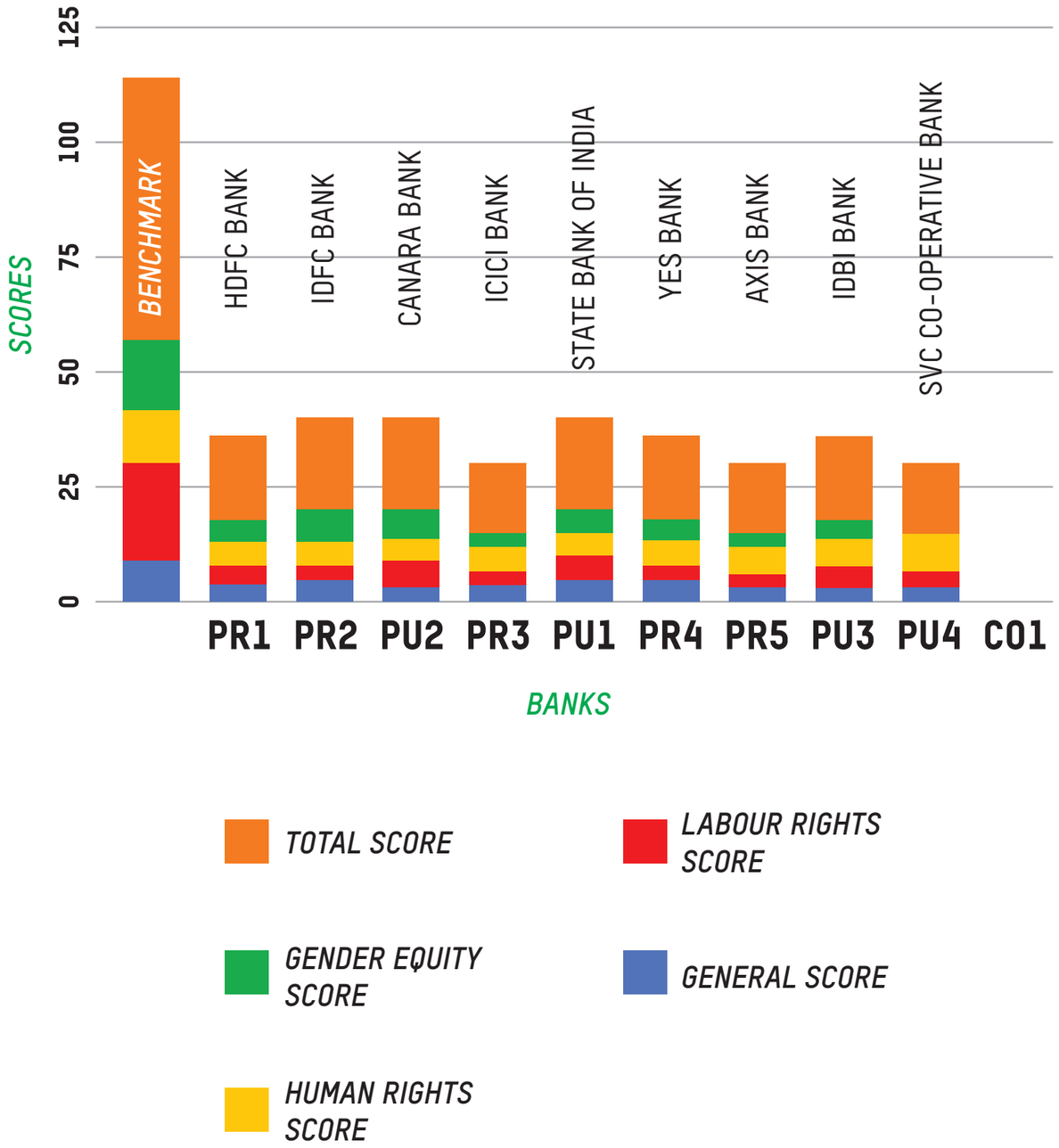
LABOUR RIGHTS	
AVERAGE COMPLIANCE	17%
MAXIMUM	29%
MINIMUM	14%

HUMAN RIGHTS	
AVERAGE COMPLIANCE	40%
MAXIMUM	50%
MINIMUM	42%

GENDER EQUALITY	
AVERAGE COMPLIANCE	27%
MAXIMUM	47%
MINIMUM	20%

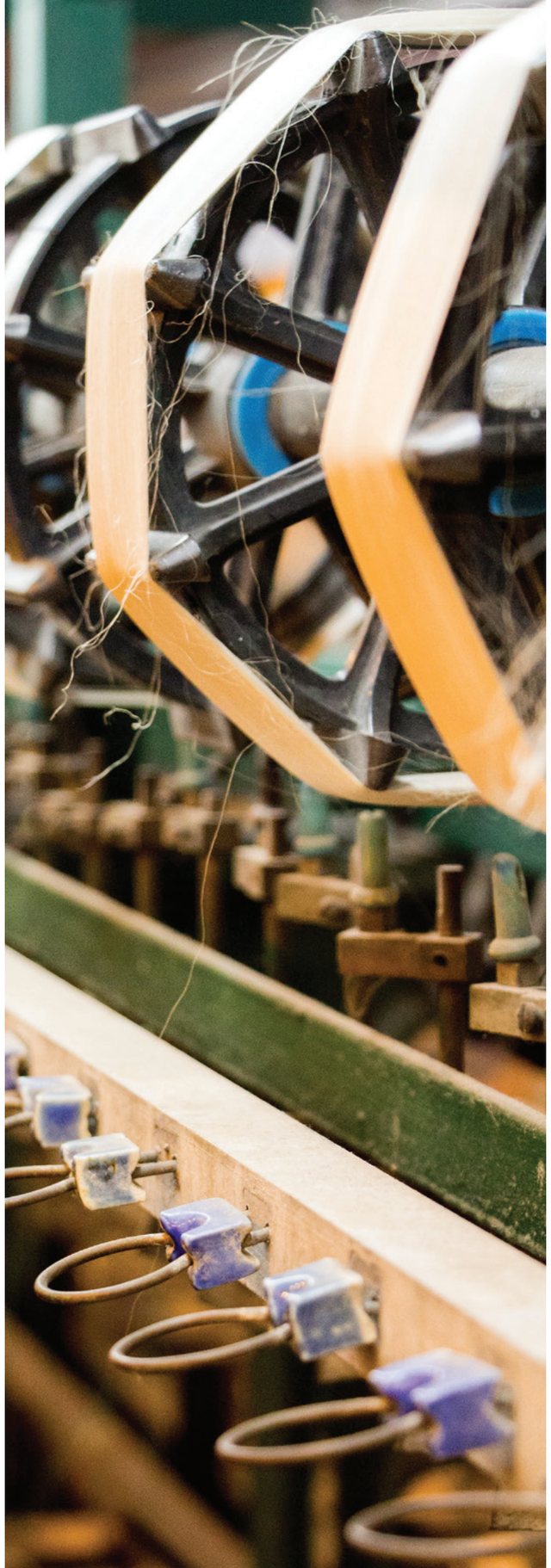
OVERALL	
AVERAGE COMPLIANCE	27.89%
MAXIMUM	35.09%
MINIMUM	26.32%

BANK PERFORMANCE ON GARMENT SECTOR SUSTAINABILITY BENCHMARKS



PART 3

THE WAY FORWARD



First, we recommend the commissioning of an effort from civil society and the regulators (RBI, SEBI, and MCA) to make BRR tracking accessible for all stakeholders through means of a public portal.

Throughout the study one persistent source of uncertainty in research (and can be the cause of unreliable data) has been the non-availability of the BRR (and its yearly iterations) of banks on a consistent basis in the public domain. While some were not available at all, others could be accessed only at certain points in time. This has implications for both transparency and accessibility. From the perspective of accountability to stakeholders, without a reliable public record of commitments and results over time, there can be no wider engagement beyond those individuals directly employed by the banks themselves. A permanent and audited record of BRR should be kept as a public record on a third-party portal to ensure that reports remain public and accessible and serves the function of being the starting point in the discourse around the company-level analysis of sustainable outcomes.

Secondly, we recommend that policy researchers focus on changes in the BRR standard which should be to formalise stakeholder-feedback led social risk management.

A combination of diligence, vetting and periodic monitoring and review of social risks by those stakeholders who are most affected by the behaviour of investee companies. The current reporting standards remain incomplete because the effect on stakeholders such as workers and community are not emphasised in the sustainability documentation and such reporting happens in aggregate numbers which makes it difficult to analyse the effectiveness of certain policies. We noted that feedback led ESG reporting, including complaints resolution mechanisms of downstream stakeholders on borrower companies are not clearly laid down even by those banks who performed relatively well on our benchmark. Beginning with a robust complaints mechanism which reports granular numbers on its working, processes need to evolve to involve more stakeholders in judging the efficacy of sustainability policies.

Thirdly, we recommend the banking, capital markets and companies' regulators (RBI, SEBI, and the MCA respectively) attempt to reverse the growing black box of risk assessment through third party assessors.

It is clear to us that non-financial reporting has a much wider ambit of impact than financial reporting and hence all effort should focus on urgently decentralising feedback and governance for this critical function. We note that even after a decade of the NVG 11 being in operation for most of the banks in our sample set, we do not see a high match to our benchmark or any demonstrated methodology that allows for an effective standard of reporting. This report should inform case-studies which would judge the efficacy of sustainability reporting in light of the new BRR reporting standards.

Fourthly, we call upon civil society and worker organisations to focus on better understanding regional linkages in the garment industry by tracking how specific brands procure and deliver final products to their consumers.

This is especially true for large multinational companies who procure garments from a wide range of supplier factories in various geographic locations. We recommend that research and energy be directed at ensuring inclusion of brand information in the BRRs of the garment companies which will allow co-ordination of stakeholder actions across national borders. Our focus has been on national standards and banks operating within Indian jurisdictions - however we acknowledge that global capital flows dictate wider changes in operational policies and bottom lines of garment sector manufacturers. Only through a cross-border understanding of the effect of debt funding in the garment sector, this potential blind spot in focussed national level case studies can be eliminated. Tracking commodity flows of the inputs of the garment industry as they move in lockstep with brand-specific orders should incrementally become a focus of case-studies in this sector.

Finally, we recommend that all stakeholders (garment companies, worker organisations, banks, and regulators) jointly develop sectoral BRR standards – starting with the garment sector.

Following the general standards that has been released in 2020, the regulatory effort should be directed at using the draft standard (as it gets implemented) as a launch off point for specific sectoral BRR standards. Our focus for example in our case study has been restricted by media coverage and our own experiences - highlighting that the feedback mechanism for sustainability reporting must become more direct. Case studies should inform networks to draft granular sector specific BRRs once a significant number of the main funding channels into the sector have been documented.

ANNEXURES

ANNEXURE 1 - FULL LIST OF GARMENT COMPANIES - AUGUST 2020 UPDATE

NAME	CIN/IDENTIFIER
SHAHI EXPORTS	U18101DL2005PTC138730
ORIENT FASHION EXPORT (INDIA) PRIVATE LIMITED	U18101DL2002PTC113704
SHIVALIK PRINTS PRIVATE LIMITED	U74899DL1998PLC095482
SILVER SPARK APPAREL LIMITED	U72900MH2000PLC127831
SRG APPARELS LIMITED	U18101TZ1999PLC008821
PARAGON APPAREL PRIVATE LIMITED	U74899DL1995PTC064907
TCNS LIMITED	U18101DL1998PLC096735
EASTMAN EXPORTS GLOBAL TRADING	U18101TZ2003PTC010525
ARVIND LIFESTYLE BRANDS LIMITED	U64201GJ1995PLC024598
GOKALDAS EXPORTS	L18101KA2004PLC033475
PEARL GLOBAL INDUSTRIES	L74899DL1989PLC036849
SCOTT INDUSTRIES	U18101PB1997PLC020568
GARDEN CITY FASHIONS PRIVATE LIMITED	U99999KA1988PTC009317
INDUS INTEX PVT LTD	U17200KA2008PTC048081
LAJ EXPORTS	U51909DL2004PLC124854
K MOHAN & CO EXPORTS PVT LTD	U18101KA2004PTC033743
AQUARELLE INDIA PVT LTD.	U17299KA2007PTC062492
TEXPORT INDUSTRIES PRIVATE LIMITED	U18101MH1979PTC021996
MEERENA CREATIONS	U18101KA2004PTC034502
MITTAL CLOTHING COMPANY	U17303KA2008PTC045546
MAF CLOTHING PVT LTD	U18101KA2008PTC068870
GOKALDAS IMAGES	U18101KA1995PTC017081
TEXPORT OVERSEAS	U70200KA1995PTC016861
UNITEX	U18101KA1994PTC016528
KPR COTTON AND OIL MILLS PRIVATE LIMITED	U17111AP2008PTC059839
SAMARA IMPORTS AND EXPORTS PRIVATE LIMITED	U51221TZ2019PTC032876
CLASSIC KNITS INDIA PRIVATE LIMITED	U18101TZ2010PTC015783
SCM GARMENTS PRIVATE LIMITED	U18101TZ2006PTC012698
LE SHARK	U51900MH1996PTC103044

KM KNITWEAR PRIVATE LIMITED	U17111TZ2003PTC010755
SP APPARELS	L18101TZ2005PLC012295
CBC FASHIONS (ASIA) PRIVATE LIMITED	U18101TZ2008PTC014581
SREEJA HOSIERIES	U18101TZ2006PTC012867
KNIT CRAFT APPARELS INTERNATIONAL PRIVATE LIMITED	U17121DL2007PTC161731
MODELAMA EXPORTS	U74899DL1995PTC071844
RICHA TEXTILES PRIVATE LIMITED	U17115UP1995PTC017400

ANNEXURE 2 - NVG 11

P1 Businesses should conduct and govern themselves with Ethics, Transparency and Accountability P2 Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle P3 Businesses should promote the well being of all employees P4 Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised P5 Businesses should respect and promote human rights P6 Business should respect, protect, and make efforts to restore the environment P7 Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

ANNEXURE-3 - BENCHMARK QUESTIONS

A total of 19 questions have been asked during the analysis of the policy documents under three main themes, chosen from FF Guide. that are relevant to this report - labour rights, human rights and gender equality. Questions have been simplified or modified to better suit Indian garment sector conditions (and particularly our sample set); one common theme of modification was that the level of detail in reporting assumed does not match the public documentation that is available. Our approach has been suitably modified similarly for other bottlenecks in this analysis.

For each question where the policy reaches the highest standard, it fetches 3 points. Lower levels of match with the benchmark provides scores of (2) and (1) respectively. Thus, a total maximum score of 57 is possible.

GENERAL

Q) Is the basis of the policy up to date with the latest standards (Lower/NVG 11/NGRBC/Higher)?

A score of (1) is awarded if the Bank's BRR corresponds to the standard of NVG 11. This is the most commonly used standard (established in 2011) although Indian regulators do provide for a higher standard, the NGRBC (established in 2018). Using NGRBC as a standard receives a score of (2) while standards which are higher than NGRBC if used receive the highest score of (3). Having no BRR or not explicitly stating a standard applicable to operations in India receives no score.

Q) Is there a social component (relating to labour and human rights) to the ESG filter that is applied during credit risk assessment before funding is sanctioned?

A score of (1) is awarded if the Bank makes a clarification (yes or no) of whether it incorporates at least labour and human rights in a pre-disbursement filter for its investee garment companies. A score of (2) is awarded if the Bank provides some aggregate statistics on how the ESG filter has been deployed. A score of (3) is awarded if methodology and granular statistics (for ex: what percentage of loan applications were rejected/modified/re-negotiated based on social factors in the ESG filter. Not engaging with this issue at all results in no score under this head for the Bank.

LABOUR RIGHTS

Q) Does the Bank commit to upholding the freedom of association?

A score of (1) is awarded if the Bank mentions the principle of freedom of association in its BRR. A score of (2) is awarded if the Bank commits to upholding or respecting the freedom of association explicitly or if the Bank allows (providing information about) unions that function internally. A score of (3) can be obtained if the Bank has allowed more than 50% of its workforce to associate into recognised unions. A (0) score is awarded if this issue has not been discussed or mentioned by the Bank in any available public document.

Q) Does the Bank effectively recognise the right to collective bargaining?

A score of (1) is awarded if the Bank explicitly mentions recognition of the right to bargain collectively. A score of (2) is awarded if the Bank mentions the existence of a collectively bargained agreement. A score of (3) can be obtained if the Bank has demonstrated evidence of better wages or working conditions in the form of a collective bargaining agreement with recognised unions. A (0) score is awarded if this issue has not been discussed or mentioned by the Bank in any available public document.

Q) Does the Bank effectively commit to not allow forced or compulsory labour?

A score of (1) is awarded if the Bank explicitly mentions a bar on forced or compulsory labour or mentions aggregate statistics of complaints resolved in this regard. A score of (2) is awarded if the Bank mentions the existence of a specific mechanism to resolve issues under this head. A score of (3) can be obtained if the Bank has demonstrated evidence of the methodology employed as well as statistics to proactively weed out forced and compulsory labour practices. A (0) score is awarded if this issue has not been discussed or mentioned by the Bank in any available public document.

Q) Does the Bank effectively commit to not allow child labour?

A score of (1) is awarded if the Bank explicitly mentions a bar on child labour or mentions aggregate statistics of complaints resolved in this regard. A score of (2) is awarded if the Bank mentions the existence of a specific mechanism to resolve issues under this head. A score of (3) can be obtained if the Bank has demonstrated evidence of the methodology employed as well as statistics to proactively remove child labour. A (0) score is awarded if this issue has not been discussed or mentioned by the Bank in any available public document.

Q) Does the Bank make a commitment to ensure a living wage?

A score of (1) is awarded if the Bank explicitly mentions a policy on living wage. A score of (2) is awarded if the Bank mentions the existence of a specific mechanism to resolve issues under this head. A score of (3) can be obtained if the Bank has demonstrated evidence of the methodology employed as well as statistics to proactively showcase usage or movement towards a living wage. A (0) score is awarded if this issue has not been discussed or mentioned by the Bank in any available public document.

Q) Does the Bank ensure equal treatment and working conditions for migrant workers, at least in accordance with the provisions of the Inter-State Migrant Workmen Act, 1979?

A score of (1) is awarded if the Bank commits to equal treatment of migrant workers or discloses statistics regarding the proportion of migrant workers in their workforce. A score of (2) is awarded if this commitment is linked to relevant legislation. A score of (3) is obtained if a mechanism is disclosed, along with statistics of bettering working conditions of migrant workers.

Q) Does the Bank include clauses on compliance with criteria on labour rights in its loan agreements?

A score of (1) is awarded if the Bank commits to contractually controlling the ESG performance (labour rights) of its investee companies. A score of (2) is awarded if either aggregate statistics or if the language of the actual clauses are shared. A score of (3) is obtained if granular statistics regarding compliance of investee companies as well as if a monitoring process is established by the Bank to check for any on-going breach of these clauses. A score of (0) is returned if no there is no engagement on this issue.

HUMAN RIGHTS

Q) Does the Bank have a policy commitment to meet their responsibility to respect human rights?

A score of (3) is awarded if there is an explicit commitment to respect human rights. A score of (2) is awarded if only statistics are mentioned. A score of (1) is awarded if the Bank implicitly covers the ambit of human rights through any other ESG commitment. No commitment from the Bank either directly or indirectly on human rights earns no score.

Q) Does the Bank have a demonstrable human rights due diligence process to identify, prevent, mitigate and account for how they address their impact on human rights?

A score of (1) is awarded if the Bank mentions any procedure for responding to human rights impact. A score of (2) is awarded if some level of aggregate statistics of a due diligence process are provided in the BRR. A score of (3) is obtained if granular statistics as well as detailed process of stakeholder complaint resolutions has been provided by the Bank in its BBR. No engagement with the issue returns a score of (0).

Q) Does the Bank establish and participate in effective operational-level grievance mechanisms for individuals (including employees) and communities who may be adversely impacted and disclose the results of such a mechanism?

A score of (1) is awarded if the Bank mentions any procedure for resolving any stakeholder complaints (including employee complaints). A score of (2) is awarded if some levels of aggregate statistics are provided in the BRR. A score of (3) is obtained if granular statistics as well as detailed process of stakeholder complaint resolutions has been provided by the Bank in its BBR. No engagement with the issue returns a score of (0).

Q) Does the Bank include clauses on compliance with criteria on human rights in its loan agreements?

A score of (1) is awarded if the Bank commits to contractually controlling the ESG performance (human rights) of its investee companies. A score of (2) is awarded if either aggregate statistics or if the language of the actual clauses are shared. A score of (3) is obtained if granular statistics regarding compliance of investee companies as well as if a monitoring process is established by the Bank to check for any on-going breach of these clauses. A score of (0) is returned if no there is no engagement on this issue.

GENDER EQUALITY

Q) Does the Bank have a protocol for respecting the rights of women, especially to prevent discrimination and to improve equal treatment of men and women?

A score of (1) is awarded if there is a policy commitment to ensure equal treatment of women. A score of (2) is awarded if a protocol is mentioned or if aggregate statistics are mentioned regarding actions taken to prevent gender discrimination while a score (3) is obtained if the protocol is explained along with granular statistics.

Q) Does the Bank have a zero-tolerance policy commitment for all forms of verbal, physical and sexual harassment?

An explicit commitment to have no tolerance for all forms of sexual harassment in addition to granular statistics receives a score of (3). Statistics of an aggregate variety relating to prevention of sexual harassment such that of resolved complaints in the BRR receives a score of (2). Commitments to prevent sexual harassment without defining scope receives a score of (1).

Q) Does the Bank have systems in place to actively manage pay equity?

A score of (1) is awarded if there is a policy commitment to ensure pay equity. A score of (2) is awarded if an active mechanism is mentioned or if aggregate statistics are mentioned regarding actions taken to achieve gender equality regarding compensation for work done while a score (3) is obtained if the mechanism is explained in detail along with granular statistics.

Q) Does the Bank disclose their POSH policy publicly?

A score of (3) is returned if a public copy, updated copy is available. A score of (2) is awarded if an older copy is available publicly. A score of (1) is awarded for excerpts provided in BRR or any similar policy or an explicit commitment that a POSH policy exists while a (0) score is provided if no copy or information is available publicly.

Q) Does the Bank include clauses on compliance with criteria on gender equality in loan agreements?

A score of (1) is awarded if the Bank commits to contractually controlling the ESG performance (gender equality) of its investee companies. A score of (2) is awarded if either aggregate statistics or if the language of the actual clauses is shared. A score of (3) is obtained if granular statistics regarding compliance of investee companies as well as if a monitoring process is established by the Bank to check for any on-going breach of these clauses. A score of (0) is returned if no there is no engagement on this issue.

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