

**To Norges Bank**

19.02.2020

UNOFFICIAL ENGLISH TRANSLATION

**Recommendation to exclude Page Industries Ltd from investment by the Government Pension Fund Global (GPF)**

## Summary

The Council on Ethics recommends that Page Industries Ltd (Page) be excluded from investment by the Government Pension Fund Global (GPF) due to an unacceptable risk that the company is responsible for systematic human rights abuses.

Page is an Indian textiles company with an exclusive licence to produce, sell and market lingerie and swimwear for two international brands. In March 2018, the company had more than 20,000 employees divided between 17 production facilities at 15 different locations in India.

The Council on Ethics has assessed the risk that Page is contributing to or is itself responsible for systematic abuses of internationally recognised human and labour rights. The Council defines “systematic” as abuses that do not appear to be isolated incidents, but rather constitute a pattern of behaviour. In its assessment of the future risk of human rights abuses, the Council attaches importance to what the company has done to prevent norm violations occurring again.

The Council has based its assessment on its own investigations into the company’s garment factory Page Unit 3 in Bangalore, India. The Council attaches importance to the employees’ reports of humiliating verbal and physical punishments when employees return from lawful holiday or sick leave, fail to meet their production targets or make production errors, and the fact that this seems to be a well-entrenched practice among managers at the factory. This must also be seen in light of the fact that the workers themselves seem to be obliged to bear responsibility for reaching the production targets even when production is halted for reasons that are neither their fault nor within their power to control. An aggravating factor is that the harassment is directed at subordinate employees, who are unable to defend themselves without being punished for it and must, therefore, be classed as vulnerable. The Council also attaches importance to what seem to be violations of national regulations relating to fire safety, personal protective equipment, electrical hazards and equipment maintenance, and indoor air quality that may pose a hazard to health. In the Council’s opinion, the company’s practices constitute a violation of the right to safe and healthy working conditions, including the right to freedom from harassment.

It seems to the Council that Page actively restricts employees’ right to organise. The company seems not to want to discuss the harassment at the factory with the trade union, at the same time as it suspends trade union representatives who raise such issues. The right to organise is reckoned to be a precondition for improving working conditions, conducting collective bargaining negotiations and preventing other labour rights from being infringed.

The Council also finds it substantiated that the company’s actions in several areas violate internationally recognised human rights and national laws.

The Council attaches importance to the fact that Page has failed to help clarify the case or give permission to inspect the factory. The Council notes that the company explained this refusal by saying it could not permit an inspection due to its agreement with the licence issuer. This proved not to be correct. Page has further failed to comment on the draft recommendation to exclude it from investment by the GPF. In consequence, the Council has had access to less information in this case than in other similar cases it has assessed. The information deficit applies to both the scale of the norm violations and what the company is doing to prevent norm violations. In keeping with Report No. 20 (2008-2009) to the Norwegian parliament (Storting), the Council takes the view that a lack of information about a company’s behaviour and, not least, a lack of willingness on the part of the company to provide information, may, in and of itself, add to the risk of contributing to unethical behaviour being deemed unacceptably high.

In the Council's opinion, it seems as though Page does little to prevent the abuse of labour rights in its operations. The Council considers that the company does not in practice have a system capable of preventing, uncovering or remedying labour rights abuses in its operations. When the company furthermore fails to provide information about the matters in question or measures to safeguard acceptable working conditions, the risk of systematic labour rights violations becomes, in the Council's view, unacceptable.

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# 1 Introduction

Over several years, the Council on Ethics has been investigating working conditions at textiles factories in countries where the prevalence of labour rights abuses is estimated to be particularly high. Page Industries Ltd (Page)<sup>1</sup> is one of the companies that have been examined.

Page has exclusive licences to produce, sell and market lingerie for a US brand and swimwear for a British brand in India and other countries in the region.<sup>2</sup> Page sells its products in more than 50,000 stores. According to the company's website, Page was founded in 1994 to introduce the US brand to the Indian market. In March 2018, the company had more than 20,000 employees, divided between 17 production facilities at 15 different locations in Bangalore, Hassan, Mysore, Gowribidanur, Tiptur and Tirupur in India.<sup>3</sup>

At the close of 2019, the Government Pension Fund Global (GPF) owned 0.42 per cent of the company's shares, worth NOK 135 million. The company is listed on the Bombay Stock Exchange and the National Stock Exchange of India.

## 1.1 Matters considered by the Council

The Council on Ethics has considered whether there is an unacceptable risk that Page “contributes to or is responsible for serious or systematic human rights violations” as set out in the Guidelines for Observation and Exclusion from the Government Pension Fund Global (ethical guidelines).<sup>4</sup> The Council's assessment builds largely on the result of investigations into working conditions at the company's garment factory Page Industries Limited – Unit 3 (Unit 3) in Bangalore, India, which produces underwear.

The Council bases its assessment of what constitutes serious or systematic violations on internationally recognised conventions and authoritative interpretations thereof. Of particular relevance in this case are the labour rights encompassed by articles 23 and 24 of the UN's Universal Declaration of Human Rights, and set out in Article 7 of the International Covenant on Economic, Social and Cultural Rights (ICESCR), whose provisions include the right to a fair wage, safe and healthy working conditions, the reasonable limitation of working hours, periodic holidays and equal opportunities. The Committee on Economic, Social and Cultural Rights (CESCR) has elaborated on how Article 7 should be interpreted, and has made it clear that health, safety and the environment are fundamental elements in the right to safe and healthy working conditions.<sup>5</sup> Article 8 of the ICESCR encompasses the right to form trade

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<sup>1</sup> Issuer Id 117512.

<sup>2</sup> Jockey India, “Corporate Information,” <https://www.jockeyindia.com/page/corporate-information>.

<sup>3</sup> Page Industries Sustainability Report 2018-2019, [https://static01.jockeyindia.com/CEDocuments/Sustainability%20Report\\_V14.pdf](https://static01.jockeyindia.com/CEDocuments/Sustainability%20Report_V14.pdf).

<sup>4</sup> Guidelines for Observation and Exclusion from the Government Pension Fund Global (GPF), <https://lovdata.no/dokument/INS/forskrift/2014-12-18-1793?q=retningslinjer+++pensjonsfond+++utland>.

<sup>5</sup> The UN Committee on Economic, Social and Cultural Rights (CESCR) is an independent committee of experts, which monitors states' implementation of the International Covenant on Economic, Social and Cultural Rights (ICESCR), <http://www.ohchr.org/EN/HRBodies/CESCR/Pages/CESCRIntro.aspx>. In April 2016, the committee published “General comment No. 23 (2016) on the right to just and favourable conditions of work (article 7 of the International Covenant on Economic, Social and Cultural Rights)”, in which it elaborated in more detail how article 7 should be interpreted, see <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G16/087/51/PDF/G1608751.pdf?OpenElement>

unions and join the trade union of one's choice, and the right to strike. In addition, the ILO's core conventions lay down minimum standards for several areas of working life, including freedom of association<sup>6</sup> and equal opportunities.<sup>7</sup> Conventions covering occupational safety and health and harassment at work are also relevant.<sup>8</sup> The Council refers, *inter alia*, to ILO Convention 190, which states that "violence and harassment in the world of work can constitute a human rights violation or abuse, and that violence and harassment is a threat to equal opportunities, is unacceptable and incompatible with decent work."<sup>9</sup>

Although international human rights conventions bind states not companies, companies can be said to contribute to human rights violations. The Council on Ethics takes no position on the extent to which the state is responsible for any human rights violations that may occur. It is sufficient to establish that the company in question acts in a way that contributes to serious or systematic violation of internationally recognised human rights.<sup>10</sup> This applies irrespective of whether the state in which the violations take place has signed the conventions against which the actions are assessed.

When assessing the violation of human and labour rights in a company's own operations, the Council takes the position that employers have a direct responsibility for their workforce and for preventing the infringement of their employees' labour rights. The Council has considered whether conditions at Page's own factories must be deemed to constitute *systematic* human rights violations pursuant to the GPFG's guidelines. The Council has previously taken the position that a small number of human rights violations may be sufficient for a company to be excluded from the GPFG if the abuses are of a serious nature. On the other hand, individual violations do not need to be as serious if the abuse is systematic.<sup>11</sup>

To qualify as systematic, the human rights violations must be substantial in scope. This could mean that they are numerous in quantity, that different types of rights are infringed or that abuses take place in many entities within the company. The Council takes the position that "systematic" requires an accumulation of such violations and not merely isolated incidents; in other words that they constitute a pattern of behaviour. In previous recommendations, the Council has attached importance to the existence of a "systematic and planned practice on the part of the company to operate at, or beyond, the boundaries of what are accepted standards for the working environment".<sup>12</sup>

With regard to assessing the risk of new human rights violations occurring in a company's own operations, the Council holds the view that previous norm violations could provide an indication of future patterns of behaviour. The Council attaches importance to how a company has responded when norm violations have been uncovered, and what it has done to prevent their reoccurrence. The UN Guiding Principles on Business and Human Rights articulates an expectation that companies will respect human rights, prevent the risk of their abuse and take action to remedy any human rights violations that do occur.<sup>13</sup> The company has a duty to comply with national legislation and norms even when these are not enforced by the

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<sup>6</sup> ILO Conventions 87 and 98.

<sup>7</sup> ILO Conventions 100 and 111.

<sup>8</sup> *Inter alia*, ILO Convention 155 on Occupational Safety and Health, and ILO Convention 190 Concerning the Elimination of Violence and Harassment in the World of Work.

<sup>9</sup> ILO 190 on the elimination of workplace violence and harassment was adopted in June 2019 and has not so far gone into effect.

<sup>10</sup> This is discussed in more detail in the Council on Ethics' recommendation to exclude Wal-Mart Stores Inc, section 3.2, 15 November 2005, see [www.etikkradet.no](http://www.etikkradet.no)

<sup>11</sup> Council on Ethics recommendation to exclude Total SA, section 3.1

<sup>12</sup> Council on Ethics recommendation to exclude Wal-Mart Stores Inc, p. 21.

<sup>13</sup> UN Guiding Principles on Business and Human Rights:  
[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

authorities. It is expected that a company assesses the actual and potential negative impacts that its operations have on those affected by them, and demonstrate that it has strategies and procedures in place that help to prevent human rights violations. Companies must also consider whether the measures implemented are effective, and make whatever changes are necessary to prevent violations happening again. The company must also publish details of what it is doing to prevent human rights violations in its own operations. The Council on Ethics takes the position that it is up to the company concerned to substantiate that it is working adequately to prevent human rights violations.

The assessment of future risk may, furthermore, be affected by access to information on the company's behaviour. In Report No. 20 (2008-2009) to the Norwegian parliament (Storting), the Ministry of Finance underlined that "a lack of information may influence the assessment of whether there exists an unacceptable risk of contribution. If it is not possible, in reality, to obtain sufficient information to assess the risk of norm violations, this could, in itself, be perceived as taking an unacceptable risk, based on the circumstances."<sup>14</sup> In cases where there are clear indications that a company is contributing to or is itself responsible for serious or systematic human rights abuses, the Council will, pursuant to the Report to the Storting, take the position that a lack of information about the company's behaviour could lead to the risk of contributing to unethical behaviour being considered unacceptably high. A lack of willingness on the part of the company to provide information will be a material factor in that assessment.

## **1.2 Sources**

This recommendation is based in investigations into working conditions at Unit 3. The investigation was carried out with the help of consultants and is based on interviews with employees at the factory away from the factory premises in April–July 2019.

The Council asked Page for permission to inspect the factory, which the company refused to grant. The company has been sent the draft of a recommendation to exclude it, to which it has not responded.

## **2 The Council's findings**

Unit 3 lies in the Bommasandra Industrial Area in Bangalore, India. Based on interviews with workers at the factory, it is estimated to have around 1,400 employees.

### **2.1 Working environment**

The right to a safe and healthy working environment is laid down in international norms and elaborated on by the Committee on Economic, Social and Cultural Rights (CESCR):  
"Preventing occupational accidents and disease is a fundamental aspect of the right to just and favourable conditions of work, and is closely related to other Covenant rights, in particular the right to the highest attainable level of physical and mental health."<sup>15</sup>

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<sup>14</sup> Report No. 20 (2008-2009) to the Norwegian Storting on the management of the Government Pension Fund Global (GPF) in 2008.

<sup>15</sup> CESCR General comment No. 23 (2016) On the right to just and favourable conditions of work, section 1.

### 2.1.1 Harassment

The CESC also says that freedom from harassment is part of a safe and healthy working environment. ILO Convention 190 on the elimination of violence and harassment in the workplace from 2019 confirms that everyone is entitled to a working life free from violence and harassment.<sup>16</sup> In the Convention, violence and harassment refer to a number of unacceptable actions and practices, or threats thereof, which aim to, result in or could result in physical, mental, sexual or financial harm.

The workers at Unit 3 have reported that they are subject to physical and verbal punishment when they return to work from holiday or legitimate sick leave. On the first working day after any such absence, the employee must stand in front the production line for two hours while their colleagues work. After two hours, the employee is allocated a workplace and tasks. The workers find this practice physically unpleasant and deeply offensive.

Workers also reported that they were verbally abused by supervisors for imperfect results, such as when they failed to reach their daily production target. At the morning meetings, employees who failed to meet their production quotas the day before or had made sewing errors were pointed at and berated by their supervisor in the hearing of everyone else. Employees reported similar harassment at the end of the working day of those who had not met their quotas. They also said that managers routinely berate and insult employees during the working day, for example through derogatory name-calling.<sup>17</sup>

According to the workers interviewed, they lose on average four or five working hours each month due to technical faults on the machinery, which is outside their control. Despite this, their production targets are not reduced. When the workers complain that they cannot meet their quotas due to lost working time, supervisors retort: “Don’t come back to work here then.” The workers also said that, at morning meetings, supervisors insist that production quotas be met irrespective of interruptions (“whatever work stoppage happens, the production target has to be completed.”)

Many employees reported that high production quotas result in them having to work during their lunch breaks in order to meet their targets and avoid harassment. Such work is unpaid.

### 2.1.2 Fire safety

Unit 3’s factory premises comprise three four-storey buildings. To be safe, escape routes must be closed and separated from the production areas by fireproof materials, thereby preventing the spread of smoke and the vertical propagation of fire between floors. This also presumes that fire-safe doors have been installed. According to national fire regulations, stairwells that are to be used as escape routes must have an enclosed area on each floor with a fire resistance of 120 minutes.<sup>18</sup>

The workers interviewed said that the three blocks have closed escape routes, but that the doors separating the emergency stairwells from the production areas are made of wood and have glass windows, and do not, therefore, appear to be fireproof.

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<sup>16</sup> ILO Convention 190.

<sup>17</sup> According to the workers interviewed, supervisors have said, for example: “Don’t you have any shame? Have you come here to work or to look after donkeys? Why do you have to come and die in my line, you *goobe* [literally, “owl,” which in India is a derogatory term for stupidity], you *daridra* [literally “beggar”].” Employees are often called “*guldu*,” a local word for someone who is mentally ill.

<sup>18</sup> Indian National Building Code, section 4, Art. 2.24, <https://archive.org/details/nationalbuilding01>.

### 2.1.3 Other matters

In India, employers have a general duty to provide safe working conditions. It is required that employers “shall ensure, so far as is reasonably practicable, the health, safety, and welfare of all workers while they are at work in the factory.”<sup>19</sup>

- Workers reported that they were often exposed to electric shocks from the sewing machines’ power cables, which they came into contact with while working. They also reported cuts to their hands due to a lack of finger protection. When such incidents are reported, the workers are berated and told they have not been sufficiently careful in their work.
- Warehouse workers reported frequent work-related accidents and crushing injuries because the hand pallet trucks are neither maintained nor repaired. Even though this is reported to management, the equipment is not repaired, according to the workers.
- The workers also reported large quantities of airborne cotton dust and fibres at the factory, respiratory problems, and said that the cloth facemasks they are issued with do not provide adequate protection from the dust. The Indian authorities require employers to implement measures to prevent the accumulation and inhalation of dust that can be harmful to workers.<sup>20</sup>
- Employees find it uncomfortably hot in the premises, but are not told exactly what the indoor temperature is.

## 2.2 Employment contract

According to Indian law, employers have a duty “to define with sufficient precision the conditions of employment under them and to make the said conditions known to workmen employed by them.”<sup>21</sup>

Employees who were taken on at the factory after 2011 reported that they do not have an employment contract with the company that describes the rights and duties which regulate the employment relationship. Those who were taken on before 2011 did have such contracts. The Council is unclear about whether those hired in the years since 2011 have been informed of their employment terms and conditions, and in which case how.

## 2.3 Right to organise

The right to organise is laid down in the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, as well as ILO Convention 87 on Freedom of Association and Protection of the Right to Organise (one of ILO’s core conventions) and the ILO’s Tripartite Declaration concerning Multinational Enterprises and Social Policy.

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<sup>19</sup> Indian Factories Act 1948, Chapter II, section 7A, Arts. 1 and 2,

<https://www.ilo.org/dyn/natlex/docs/WEBTEXT/32063/64873/E87IND01.htm>

<sup>20</sup> The Factories Act, 1948, section 14. “In every factory in which, by reason of the manufacturing process carried on, there is given off any dust or fume or impurity of such a nature and to such an extent as is likely to be injurious or offensive to the workers employed therein, or any dust in substantial quantities, effective measures shall be taken to prevent its inhalation and accumulation in any workroom, and if any exhaust appliance is necessary for this purpose, it shall be applied as near as possible to the point of origin of the dust, fume or other impurity, and such point shall be enclosed so far as possible.”

<sup>21</sup> Industrial Employment (Standing Orders) Act, 1946,

[https://indiacode.nic.in/bitstream/123456789/7777/1/industrial\\_employment\\_standing\\_orders\\_act\\_1946.pdf](https://indiacode.nic.in/bitstream/123456789/7777/1/industrial_employment_standing_orders_act_1946.pdf)

Many employees at Unit 3 are members of the Engineering and General Workers Union, a trade union affiliated with the All India Trade Union Congress (AITUC). Workers at Unit 3 said they had started organising in 2016 after 20 employees were jailed after being identified by factory managers and suspended by the company because they took part in a general strike in Karnataka concerning changes to the law governing employee pension funds. The trade union raised the suspension with the Ministry of Labour and Employment, which decided that the suspension was unlawful and ordered the company to reinstate the workers concerned. The company complied with this order in October 2016 and paid the employees half their salaries for the period during which they had been suspended.

In 2017, employees at the factory continued to organise, and in April 2017 the company was notified that a trade union had been established at the factory and given the names of elected union representatives. The company subsequently refused to have any communication with the union.

In July 2017, the union submitted a Charter of Demands relating to specific improvements in working conditions at Unit 3 and demanding recognition of the employees' right to organise. The company refused to consider the charter. The union therefore asked the Ministry of Labour and Employment to start a mediation process that could lead to negotiations between the parties.<sup>22</sup> This was unsuccessful and in July 2019, the Ministry passed the case on to the Industrial Tribunal in Karnataka. As far as the Council is aware, no ruling on this case has yet been issued.

In February 2018, an employee reported to her union that she had been subjected to gross harassment by her supervisor.<sup>23</sup> A meeting was held between the union leadership and the factory's HR managers. It was demanded that the company take steps against the supervisor concerned. Management refused to receive the union's written complaint about the harassment incident. The following day, some 400 employees stopped work to demand that HR management receive the complaint and start investigating the matter. Work was resumed after the company had accepted receipt of the written complaint in negotiations with union leaders. Two weeks later, Page suspended the union leaders and a union member who had participated at the meetings, alleging that they had organised the work stoppage and defaulted on their work. As far as the Council is aware, the five are still suspended, without the company having indicated when it will file formal charges against them.

The Council knows that the company has also previously suspended employees who have attempted to form trade unions at its factories. In 2018, the AITUC attempted to organise employees at Page's Unit 22. The employee responsible for the organisation of factory workers was suspended and remains so, as far as the Council is aware.<sup>24</sup> Under Indian law, employers may suspend employees while awaiting the outcome of further inquiries, but the period of suspension must be time-limited.<sup>25</sup>

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<sup>22</sup> Employers in Karnataka are not required by law to recognise trade unions as parties in negotiations regarding collective agreements. Trade unions therefore typically issue a charter of demands, which triggers a process in which the state's Industrial Tribunal may order the employer to negotiate the charter with the union.

<sup>23</sup> According to the employee, the supervisor is supposed to have said: "Do you eat rice or do you eat shit?" and "Women like you are only worth one lunch and two punch" (implying that the employee only clocks in and out to eat lunch without working).

<sup>24</sup> Email from Workers Rights Consortium, 2 February 2020.

<sup>25</sup> Industrial Employment (Standing Orders) Central Rules, 1946, section 14(4)(a), "Disciplinary action for misconduct.-- Where a disciplinary proceeding against a workman *is contemplated or is pending* ... and the employer is satisfied that it is necessary or desirable to place the workman under suspension, he may, by order in writing suspend him with effect from such date as may be specified in the order." (emphasis added).

### 3 Information from the company

The Council on Ethics contacted Page for the first time in February 2016 to request information about working conditions at the company's factories in India. The company did send some information, including a health, safety and environment (HSE) handbook and operating procedures at the factory (so-called "standing orders"). The Council contacted the company once again in 2019 to request permission to inspect the factory. The company declined.

The company explained its decision by saying it wanted to protect its intellectual property rights: "However, please note that as a Licensee of [...], we manufacture products complying with the Agreement with [...]. All products are manufactured with specific codes and products designs. Considering the intellectual property rights involved, we regret being unable to organize a factory visit."<sup>26</sup> Through its consultant, the Council contacted the US brand owner, which had no objections to an inspection. The Council passed this information to Page, which did not respond.

In October 2019, Page was sent the draft of a recommendation to exclude the company from investment by the GPF. Page made no response to this either.

#### 3.1 Company guidelines to prevent human rights abuses

In its Business Responsibility Report, Page writes that the company shall respect and promote human rights, including their labour rights: "[T]he human rights of its employees at work are an absolute requirement. PIL [Page]'s policies on zero tolerance for discrimination and harassment are directed towards adherence to applicable laws and to uphold the spirit of human rights, as enshrined in existing standards such as Fundamental Rights as per the Constitution of India and national laws and policies."<sup>27</sup>

The company highlights the importance of the workplace being perceived as both fair and safe: "Page Industries values each and every of its employees and takes all efforts possible to ensure a healthy, safe and performance oriented work place without any discrimination."<sup>28</sup> Furthermore Page works to offer "a safe, healthy, clean and ergonomic working environment for its people. It complies with all health, safety and environmental regulations in the jurisdiction in which it operates and is committed to best practices in the health and safety of employees."<sup>29</sup>

The company writes that has distributed its HSE Handbook to all employees, and that everyone receives training commensurate with their role and responsibilities. Practice of company guidelines is verified by the Compliance Department by means of unannounced audits.<sup>30</sup>

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<sup>26</sup> Email from Page to the Council on Ethics, dated 25 June 2019.

<sup>27</sup> Page Industries Ltd: Policies pursuant to Business Responsibility Report, p.9.  
<https://static01.jockeyindia.com/CEDocuments/BusinessResponsibilityReport-01Oct2018.pdf>.

<sup>28</sup> See footnote 27, p.5.

<sup>29</sup> See footnote 27, p.5.

<sup>30</sup> Page Industries Annual Report 2018-19,  
[https://static05.jockeyindia.com/uploads/investordocuments/annualgrowth/b4eb31f5-3036-43e2-8098-c078a117b4cb/annual\\_report\\_201819.pdf](https://static05.jockeyindia.com/uploads/investordocuments/annualgrowth/b4eb31f5-3036-43e2-8098-c078a117b4cb/annual_report_201819.pdf)

According to Page, companies should “create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.”<sup>31</sup> The company also claims to have implemented processes and mechanisms to ensure that issues such as sexual harassment are dealt with effectively. Employees’ ethical and professional behaviour is supposedly evaluated against expected behaviour through the company’s Performance Management System.

Page discloses that it has established an Internal Complaints Committee to combat workplace sexual harassment, as required by law.<sup>32</sup> It has not received any complaints about harassment in the past year.

Page claims to respect “the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redressal mechanisms. All employees have the right to join or form association of their own choosing and to bargain collectively for the promotion and defense of their occupational interests. They also have the right to choose not to join an association.” The company also writes that it neither interferes in employees’ decisions to organise nor attempts to influence this in any way. Nor does it discriminate against employees who choose to join or form a trade union.<sup>33</sup>

## 4 The Council’s assessment

The Council on Ethics has assessed whether there is an unacceptable risk that Page is contributing to or is itself responsible for the systematic violation of internationally recognised labour rights norms. The Council’s assessment has focused on the company’s garment factory Page Unit 3 in Bangalore, India.

The starting point for this case is that Page, in its capacity as employer, is itself responsible for norm violations at its factories. The Council takes the position that the threshold for norm violations that may lead to exclusion from the GPFG must be lower when the norm violations occur in the company’s own operations than when a company contributes to norm violations perpetrated by a third party.

In this case, the Council attaches importance to the employees’ reports of humiliating verbal and physical punishments when employees return from lawful holiday or sick leave, do not reach their production targets or made production errors, and that this seems to be a well-entrenched practice among managers at the factory. This must be seen in light of the fact that the workers themselves seem obliged to bear responsibility for reaching their production targets even when production is halted for reasons that are neither their fault nor within their power to control. It is an aggravating element that the harassment is aimed at subordinate employees, who are unable to defend themselves without being punished for it and must, therefore, be considered as vulnerable. In the Council’s view, there can scarcely be any doubt that the harassment is intended to be offensive and frightening.

The Council also attaches importance to what seem to be violations of regulations relating to fire safety, personal protective equipment and electrical hazards, as well as frequent accidents due to poor maintenance of production equipment, and indoor air quality that could pose a hazard to health. This may indicate that the company has no system for following up work-related incidents or for safeguarding the working environment in accordance with national

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<sup>31</sup> Page Industries Ltd: Policies pursuant to Business Responsibility Report, p.7.

<sup>32</sup> Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act 2013.

<sup>33</sup> Page Industries Ltd: Policies pursuant to Business Responsibility Report, p.3.

requirements, whose purpose is precisely to ensure good working conditions. In the Council's opinion, the company's practices infringe the right to safe and healthy working conditions.

Other norm violations relate to the right of workers to form or join a trade union. It appears to the Council as though Page actively restricts the right to organise. The company does not seem willing to communicate with the union about working conditions and allegations of harassment at the factory. At the same time, it suspends elected union representatives who raise such issues for an indefinite period, without filing formal charges. This means that employees have no opportunity to raise working conditions with management. The right to organise is reckoned to be a precondition for improving working conditions, conducting collective bargaining negotiations and preventing other labour rights from being infringed.

The Council concludes that the company's actions in several areas violate internationally recognised human rights and national laws.

The Council attaches importance to the fact that Page has not helped to clarify the matter. The company has provided some information about its own guidelines that are intended to prevent labour rights abuses, but has not granted permission for a factory inspection. The Council notes that the company explains its refusal to allow an inspection by saying that the licence issuer does not permit it. However, this has proved to be incorrect. Page has subsequently not responded to the Council's queries nor supplied any comments to the draft version of a recommendation to exclude it from the GPF. The Council therefore has access to less information in this case than in other similar cases it has considered. The information deficit applies to both the scale of the norm violations and to what the company is doing to prevent norm violations. In keeping with Report No. 20 (2008-2009) to the Norwegian Storting, the Council takes the view that a lack of information about a company's behaviour and, not least, a lack of willingness on the part of the company to provide information, may in and of itself contribute to the risk of unethical behaviour being deemed unacceptably high.

In the Council's opinion, it seems as though Page does little to prevent the abuse of labour rights in its operations. The company's guidelines for the prevention of norm violations, including harassment, the working environment and freedom of association, do not seem to have been implemented. The Council considers that the company does not in practice have a system capable of preventing, uncovering or remedying labour rights abuses in its operations. When the company furthermore fails to provide information about the matters in question or measures to safeguard acceptable working conditions, the risk of systematic labour rights violations becomes, in the Council's view, unacceptable.

## 5 Recommendation

The Council on Ethics recommends that Page Industries Ltd be excluded from the investment by the Government Pension Fund Global due to an unacceptable risk that the company is responsible for systematic human rights abuses.

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Johan H. Andresen  
Leder

(Sign.)

Hans Chr. Bugge

(Sign.)

Cecilie Hellestveit

(Sign.)

Trude Myklebust

(Sign.)

Brit K. S. Rugland

(Sign.)