

Pressure on foreign companies over abuse in India's sugar fields

LONDON

Large global investors want buyers to demand better working conditions

BY MEGHA RAJAGOPALAN

The New York City comptroller, who oversees hundreds of billions of dollars in pension investments, is pressuring some of the world's major sugar buyers to stop profiting off child labor, debt bondage and coerced hysterectomies in western India.

The city's pension funds own nearly \$1 billion in stock in Coca-Cola, Pepsico, Mondelez and others. Those companies, or their franchisees, are among those that buy sugar from the Indian state of Maharashtra. An investigation by The New York Times and The Fuller Project this year revealed a brutal, endemic labor system there — one that is at times enforced by threat of kidnapping and assault.

"We will bring pressure to bear on the companies we invest in who participate in that system by sourcing their supply from it and by funding it," the New York comptroller, Brad Lander, said in a recent interview.

Mr. Lander is urging companies to work with labor groups in Maharashtra and to demand supply-chain improvements. He has rallied institutional investors including BNP Paribas Asset Management, based in Paris; Sands Capital of Virginia; and the London-based Schroders to do the same. Those

firms hold hundreds of millions of dollars in stock in the sugar-buying companies.

The Biden administration is also applying pressure. The State Department has encouraged American companies to use their buying power as leverage to push sugar mills to make changes, according to a State Department official who spoke on condition of anonymity to discuss private conversations. Diplomats have also encouraged companies to work with labor unions.

An ethics body that advises Norway's sovereign wealth fund (the world's largest, at about \$1.8 trillion) is also investigating at least one company in its portfolio, according to people with direct knowledge of the inquiry. The company under investigation is unclear. The fund holds stock in two sugar mill owners, Dalmia Bharat and DCM Shriram, and in a major Pepsico franchisee, Varun Beverages, according to public disclosures.

The U.A.W. Retiree Medical Benefits Trust, a \$60.5 billion pension fund, signed a letter pushing companies to improve labor practices, according to people with knowledge of the matter.

Some of those who confirmed the efforts spoke on condition of anonymity because they were not authorized to speak to reporters or did not want to undermine their outreach to the companies. The banks and investment firms themselves declined to comment.

The moves represent an attempt to pressure companies that, otherwise, face little incentive to change. Sugar is a huge industry in Maharashtra, so buyers and producers alike have tremendous amounts at stake. Indian poli-



SALMYA KHANDEJWAL FOR THE NEW YORK TIMES

Sugar cane workers in Maharashtra, western India. Exploitation of workers is well documented and includes child labor, debt bondage and coerced hysterectomies.

ticians could pass and enforce labor laws, but they own most sugar mills in Maharashtra and deny or downplay problems.

Abuse is well documented. Female workers are pushed to get hysterectomies to keep working, often to avoid menstruating or becoming pregnant in dangerous, unsanitary conditions. The industry is also rife with child labor. Workers are kept in debt bondage, The Times and The Fuller Project have reported.

The revelations have become a diplomatic issue, too. A group representing cooperative sugar mills in Maharashtra said that it had complained to the U.S.

Consulate in the Indian city of Mumbai about "misleading" news reports. The group suggested that there was a conspiracy to discourage companies from buying Maharashtra sugar.

None of the investors are calling for that. Many say they would prefer that corporations keep buying from Maharashtra and pushing for improved labor practices.

But a core issue is that Maharashtra sugar mills pay their laborers through middlemen and reject responsibility for working conditions, minimum wages and other basic rights. Laborers are paid advances that function as loans, often without documentation.

No companies appear to be seeking fundamental change in how workers are recruited and paid. Labor experts say that, until they do, exploitation will continue.

There are tentative signs that companies are responding. Here is how some have reacted.

COCA-COLA

The world's largest beverage company has known since at least 2019 that children were cutting sugar for its use in Maharashtra and that laborers were working off debts to their employers.

The company said this month that a group it had helped establish would, in January, begin providing at least some cane cutters with first aid, health and safety training. Four mills, including three that Coke buys from, will participate, the company said. The group will also train factory middlemen on wage transparency and seek to formalize contracts with farm workers.

The company also said that it had worked to provide clean water, sanitation and female hygiene products to fieldworkers.

Coke would not say how much money it had invested in those efforts.

PEPSICO

Pepsi said this spring that it was looking into the reports of abuses.

Varun Beverages, a major Pepsi franchisee, this year opened its third manufacturing and bottling plant in Maharashtra.

Pepsi has said that its franchisee buys relatively little sugar from Maharashtra when taken in the context of the state's huge production.

NESTLÉ

At first, Nestlé told The Times that it had stopped buying sugar from Maharashtra last year "based on the due diligence work we conduct as part of our human rights framework."

That suggested that the company had uncovered abuses.

Pressed for details, a spokeswoman said that she had been mistaken. She said that Nestlé had stopped buying from Maharashtra because of a 2022 Indian ban on sugar exports.

A company document dated late last year, however, lists suppliers in Maharashtra. Nestlé said that document was outdated.

In interviews, one sugar mill said that it had sold to Nestlé this year. Others said that Nestlé continued to buy from them through brokers.

Nestlé says that is inaccurate.

MONDELEZ

Mondelez, a conglomerate that includes Cadbury and Nabisco, said that it was "taking steps to help address labor concerns on sugar farms in this region." It did not elaborate.

The company said it had stopped buying sugar from the Indian sugar company Dalmia Bharat, which owns a mill linked to unnecessary hysterectomies and abuses.

Dalmia, which also supplies Coca-Cola, recently arranged to provide sanitary pads, shoes, socks and gloves to some workers. A doctor had spoken to female workers about menstrual health.

Qadri Inzamam, a reporter with The Fuller Project, and Ankur Tangade contributed reporting from Beed, India.