



Unlocking Investor Action for a Just Transition in India's Fashion Sector

Case Study Feature

With insights from

**GOOD
FASHION
FUND**



About the Programme and Case Study

India's textile and apparel sector sits at the intersection of global supply chains, domestic industrial growth, and climate transition. It is one of the country's most significant sources of industrial employment, yet the manufacturers at the heart of the supply chain, particularly Tier-2 and Tier-3 producers in spinning, dyeing, processing and finishing, face a structural gap between the transition demands being placed on them and the financial tools available to support it.

Over the past year, the Impact Investing Institute and Impact Investors Council jointly implemented the programme ***"Unlocking Investor Action for a Just Transition in India's Fashion Sector."***

The programme adopted a value-chain approach, examining transition challenges across production, manufacturing, consumption, and recycling to identify where climate and community outcomes converge and where investment opportunities may emerge.

The programme engaged over 100 stakeholders across four major convenings in India and the UK, alongside more than 25 in-depth interviews with investors, financial institutions, brands, policymakers and entrepreneurs. A consistent finding emerged throughout the programme - **'The constraint is not a lack of capital, nor a lack of solutions, but how both are structured, aligned, and deployed.'**

As part of this programme, we wanted to document impactful initiatives across the value chain - identifying practitioners who are actively working to address these gaps and capturing their experiences in a format that is beneficial to investors, entrepreneurs, and ecosystem actors. These case studies are the result of that effort. Each features an initiative or fund that is doing meaningful work at a specific point in the value chain, and each of the case studies was developed through direct engagement with the practitioners behind it.

Each case study is structured in two parts:

1. The first provides a snapshot of the fund or initiative, covering its overview, financing structure, funding amounts, partners involved, and the impact measurement frameworks in use.
2. The second part presents practitioner insights, structured as an interview, in which they share their on-ground experiences, the emerging pathways, the challenges they have encountered, and the lessons that have emerged from working in this sector.

The first section is intended to give readers a clear understanding of what the initiative is and how it is structured; the second is designed to surface the on-ground nuances.

This case study features the **Good Fashion Fund**, a blended private credit vehicle that provides long-term loans to manufacturers investing in cleaner production technologies, renewable energy, and improved worker conditions across India and Bangladesh. It explores how a financing model that combines philanthropic first-loss capital, technical assistance, and commercial debt can reach the segment of the supply chain where transition costs are most concentrated and what conditions are necessary for this approach to move from demonstration to scale.

This case study is part of a series accompanying the learning report Unlocking Investor Action for a Just Transition in India's Fashion Sector. The report will be published in May 2026. Visit [Impact Investing Institute Publications](#) to access the full report.

To explore other impactful case studies from this programme, visit [Impact Investing Institute](#). We continue to add to this collection as part of our ongoing effort to showcase what is working on the ground and what the ecosystem needs to build further momentum toward a just transition.

GOOD FASHION FUND

Good Fashion Fund (GFF)

Inside This Case Study

Part 1 - Case Snapshot - Page 4

Part 2 - Practitioner Insights - Page 7



Source: Good Fashion Fund

Good Fashion Fund (GFF)



Case Snapshot

Overview

- The Good Fashion Fund is a blended finance private credit vehicle designed to accelerate sustainability transitions within textile and apparel supply chains. It provides long-term USD-denominated loans to manufacturers investing in cleaner production technologies such as water-efficient dyeing, renewable energy integration, and low-impact processing systems.
- Beyond environmental upgrades, a core objective of the Fund is to improve worker conditions and labour rights within the industry, beginning with demonstrable improvements across its investee companies.
- The Fund works with dedicated local and international partners to implement, measure, and monitor social performance throughout the investment lifecycle. By combining philanthropic first-loss capital, technical assistance, and commercial capital, the model enables responsible industrial transformation while preserving competitiveness in export markets.

Type of Capital: Blended Debt (Private Credit with philanthropic first-loss + Technical Assistance)

Value Chain Segment: Textile and apparel manufacturing - primarily Tier 2 and Tier 3 manufacturers, including spinning, dyeing, processing, finishing, garmenting, and recycling units

Geographic Focus: India & Bangladesh

Year Launched: 2019 (Fund I)

Fund Size and Capital Structure

- **Total Fund Size:** USD 19 million (Fund I)
- **Instrument:** Senior secured loans (USD-denominated)
- **Ticket Size Range:** USD 1 to 2.5 million
- **Stage Focus:** Established, early to growth-stage SMEs with export linkages
- **Fund Manager:** Fount - responsible for underwriting, deployment, monitoring, and reporting.

Capital Stack

- Philanthropic first-loss tranche
- Senior commercial investor tranche
- Technical Assistance (TA) support

The first-loss layer absorbs initial downside risk, enabling participation from commercial investors seeking risk-adjusted returns. The TA supports ESG implementation, and post-investment performance monitoring.

Capital Providers Involved

- **Anchor Investor:** Laudes Foundation
- **Other Investors:** Mills Fabrica, Rabobank (Senior debt investor)
- The capital structure of the Good Fashion Fund is a so-called blended finance structure comprising 2 different risk/return layers: Junior Equity /first loss, and a Senior Debt tranche.¹

Total Number of Active Investments by the Fund

- | | |
|----------------------------------|---------------------------------|
| • Pratibha Syntex, India | • Progress Apparels, Bangladesh |
| • Sri Kannapiran Mills, India | • EPIC Group, Bangladesh |
| • K.K.P Fine Linen, India | |
| • Sharadha Terry Products, India | |

¹<https://goodfashionfund.com/index.php/investment-focus/>

Frameworks Used for Impact Measurement ²

The Fund aligns its impact strategy with the UN Sustainable Development Goals (SDGs) and operates under a dedicated Environmental & Social (E&S) Policy aligned with leading industry standards. Environmental performance is verified using the Higg Index.

Five Goods Framework

Established impact framework from GFF 1.0, aligned to key climate and social & gender priorities



² <https://goodfashionfund.com/index.php/impact/>

Frameworks Used for Impact Measurement

The Fund has developed its own E&S Framework, including a GFF Social & Labour Checklist based on the Fair Trade Textile Standard and ILO-OECD guidelines.

Social and Gender Focus of GFF 2.0

Addresses social issues such as safe working conditions, improved workers' rights and gender equality – 2x aligned



GFF's **Environmental and Social (E&S) framework** uses various best-in-class standards, frameworks and conventions such as:



Key social focus areas include non-discrimination, prevention of forced and child labour, freedom of association, fair working conditions, and occupational health & safety, with monitoring supported by accredited E&S auditors.

How Often Does Impact Measurement & Reporting Happen Publicly?

Internal Reporting: Investees are required to report on impact and ESAP performance quarterly, supported by an annual on-site assessment and verification of the reported performance against the baseline. Quarterly investee data is part of the investor reports, and the detailed annual data is included in the annual E&S report of the fund, both of which are for internal usage only.

Public Outputs: As part of its continuous learning and sector engagement agenda, GFF has published key knowledge products in the past few years including the Lessons Learned Report and video, by the fund's development evaluators (globalCAD and adelphi) and industry-first case studies on the

investees (SKML, Pratibha) based on independently verified environmental and social performance of the investees since investment clearly highlighting climate impact i.e. GHG emissions, energy/water/materials reduction and upstream effects and equally focusing on the social improvements and lessons learned by the investees. These case studies and reports are shared publicly and discussed in detail in industry and investor forums alongside the manufacturers.

Resources: This is further detailed in publicly available resources and impact reports from the Good Fashion Fund. ([Resource 1](#)) ([Resource 2](#)) ([Resource 3](#)) ([Resource 4](#))

Practitioner Insights

QE 1. Financing at the Climate-People Intersection

As a blended private credit vehicle providing long-term loans to textile manufacturers for sustainability upgrades, GFF operates in a segment where margins can be thin and operational risks are material. There is sometimes a perception that integrating strong worker or community considerations alongside environmental upgrades may complicate scalability or commercial viability.

Based on your experience financing textile SMEs, how have you seen climate-focused upgrades intersect with labour and worker-related improvements in practice?

From our experience across six investments and nine factories in India and Bangladesh, the relationship between climate upgrades and worker well-being is more connected than most assume. The industry is extractive on both fronts. When you address one, you create the conditions to improve the other.

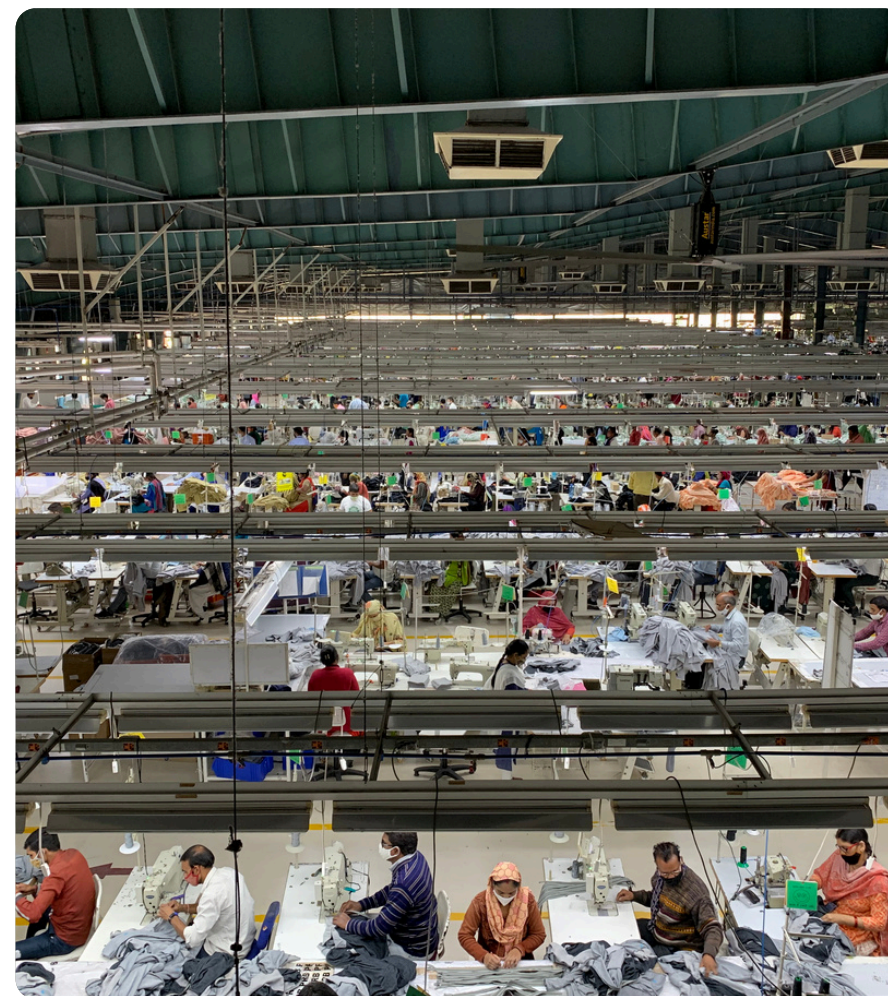
At Pratibha Syntex, our USD 4.5 million investment in spinning, processing, and solar resulted in a 74% reduction in energy consumption and 10,861 tons of CO₂ saved over three years, alongside upgrades to worker accommodations for 900 employees and promotion of female supervisors. These weren't separate workstreams but came out of the same investment cycle, structured through our ESAP and verified by Fairwear.

At Sri Kannapiran Mills, a Tier 2/3 spinner with equipment 25 to 30 years old, material wastage dropped by 95% and energy by over 50% in year one. Social improvements followed with OHS upgrades, reduced labour fatigue through automation, and better ventilation from civil works. Together these two investees have shown financial savings of over USD 1 million, directly from GFF-funded equipment.

The honest observation is that what drives this integration is management mindset, not brand pressure. Both are owner-led businesses where the

founder holds both agendas. Tier 2 and 3 manufacturers further from brand relationships often see these as separate conversations.

The implication for GFF 2.0 is that we assess this at origination, while crowding in firm commitments and incentives from brands. Capital and technical assistance working together is what creates the space for both outcomes towards a just transition.



Source: Good Fashion Fund

QE 2. Capital Signalling & Institutional Value

From your experience with Fund I, has integrating a climate-and-people approach influenced your institutional positioning in any way, whether in terms of partnerships, fundraising for subsequent funds, portfolio company follow-on capital access, or strengthening internal investment processes?

Fund 1.0 has been a proof of concept or a demonstration fund, not just for the model but for the signal it sends to the market. As the only global impact fund with a validated track record of investing in SME textile manufacturers across Tier 1 through Tier 3, we established credibility in the transformative potential of supply chain transition finance and sectoral engagement.

The verified case studies from Pratibha Syntex and SKML have been central to positioning GFF 2.0 as a strong scalable model for a just transition with prospective LPs and now allowing us to enter new markets like Vietnam. Investors want to see the model works before they commit, and we can show that with verified climate and people impact in the deeper tiers and focused on SMEs in South Asia.

For portfolio companies, being a GFF investee has made a tangible difference. At Pratibha, the ESG infrastructure we helped build improved brand communication and follow-on readiness. At SKML, we unlocked latent efficiencies that backstopped cost pressures in tough macro conditions.

On process, an ESAP at origination and annual Fairwear assessments sharpened how we evaluate management quality and risk. We learned that reinventing social audits creates fatigue, so GFF 2.0 will focus on social/gender impact pathways beyond basic safeguards. A company that cannot engage with worker welfare has governance gaps that translate to reputational and credit risk. We are also now confident that SMEs in the range of USD 10m to 50m turnover is the missing middle for GFF 2.0, a segment largely underserved by green finance initiatives.

QE 3. People & Livelihood Outcomes

Textile manufacturing in India and neighbouring countries relies heavily on factory workers who are central to operational continuity and competitiveness. Alongside environmental upgrades, GFF integrates social and labour considerations through its financing and technical assistance.

We acknowledge that many social outcomes materialise over time. However, based on your experience and early learnings, what worker or community level changes have you observed within investee companies following GFF's engagement?

Social and labour outcomes are harder to validate than energy savings, but they are no less central to what GFF is trying to do. Our experience across the portfolio points to a few consistent patterns.

At the factory level, the most immediate changes we observe are in occupational health and safety, wage administration, and worker grievance mechanisms. These tend to be the earliest wins because they respond directly to the ESAP conditions tied to our investment. At Sri Kannapiran Mills, Progress Apparels and Pratibha Syntex, OHS improvements, reduced labour fatigue through automation, and upgrades to worker facilities were documented within the first year.

Gender equity is where the work gets more nuanced and instructive. At EPIC in Bangladesh, we structured an impact loan structure with social KPIs around female supervisory representation at factory-level, building on their Women's Empowerment Program that predated the investment. In the sewing division, 45%+ female supervisory participation has been achieved already, ahead of most peer factories in the country. Working through the KPI design with EPIC surfaced important considerations: shift requirements and caregiving responsibilities affect recruitment into supervisory roles, cultural norms around female authority vary by division, and qualitative indicators like mentorship outcomes and intent to lead matter as much as headcount targets.

These are direct design inputs for GFF 2.0 for our social and gender resilience pathway. Social KPIs need to be specific and time-bound, but built to capture genuine progress rather than just compliance. The EPIC experience shows that when an investee already has the DNA to do more, the right framework developed collaboratively can accelerate real and lasting change.



QE 4. Lessons Learned & Looking Ahead

Looking back at the implementation of Fund I, and as you progress towards Fund II, what have been the most important lessons, including what worked well and what proved more challenging than expected, from financing textile manufacturers in India through a blended credit structure that integrates both climate and people considerations?

What should other investors be aware of when financing this ecosystem, and how are these lessons helping your structure and strategise for Fund II?

Fund 1.0 taught us that the model works, but it also clarified what conditions are necessary for it to work at scale. The most important enabler was catalytic capital. Without Laudes Foundation and The Mills Fabrica taking the junior equity position, we could not have offered the risk profile that SME manufacturers needed. Private capital alone will not move without it. Other investors entering this space should expect to need a similar first-loss or junior anchor, or a guarantee structure that performs the same function.

Technical assistance matters, but works best when enabling conditions are in place. Where management conviction already existed, TA accelerated outcomes significantly. But the right combination of patient capital, TA, and brand commitment can itself shift supplier willingness to act. Readiness is not always fixed at origination. It is often something the investment structure can help create.

Brand accountability is the structural gap every investor in this ecosystem will hit. Manufacturers are being asked to decarbonise without proportionate financial support, while brands benefit without making corresponding commitments. GFF 2.0 addresses this through the innovative financing mechanisms that requires brands to co-invest in their suppliers, to claim verified Scope 3 reductions, making cost of borrowing quite affordable for SMEs and aligning incentives across the chain.

For GFF 2.0, these lessons translate into a sharper investment thesis: Renewable energy and thermal decarbonisation focus with strong paybacks, brands as active financing partners rather than passive observers, a Compliance+ social framework that goes beyond audits, and a USD 2.5 million TA facility structured to be additive to existing TA in the markets for pipeline readiness and capacity building, thus generating resilience overall for factories and workers.

Contact Us

For more information about this case study or the programme, please get in touch with the team below.

More details about this case study

- Jayanth Kashyap B, jayanth@goodfashionfund.com
- Sruthi Ramesh, sruthi@goodfashionfund.com

More details about the programme

Unlocking Investor Action for a Just Transition in India's Fashion Sector

- Aisling McCaffrey, aisling.mccaffrey@impactinvest.org.uk
- Ranjna Khanna, ranjna.khanna@iiic.in

