

Human Rights Due Diligence: Assessing Risk for German Companies in Uzbekistan's Textile Sector



UZBEK FORUM
FOR HUMAN RIGHTS



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Executive Summary

This report evaluates the challenges, risks, and responsibilities faced by companies when sourcing from Uzbekistan's cotton and textile industries with a particular focus on German companies and their obligations to respect human rights in their supply chains. The Uzbek cotton sector still suffers from its legacy of decades of state-mandated forced labour that damaged its reputation and prompted a boycott by over 300 brands and retailers. Recent reforms have eliminated state-imposed, systematic forced labour but have not eradicated the underlying risks entirely. The privatization of cotton production has established "cluster" systems, combining cotton farming, processing, and textile manufacturing. However, coercive contracts, limited land rights for farmers and exploitative labour conditions persist. These include a high risk of forced labour, particularly during harvests due to government-imposed quotas disguised as "forecasts", severe restriction of freedom of association, land insecurity, government interference and the exploitation of farmers.

Companies are increasingly required under soft and hard law to conduct risk-based due diligence and identify and address human rights risks across their supply chains. However, they face significant challenges in high-risk contexts like Uzbekistan.

This report seeks to examine to what extent companies are fulfilling their due diligence obligations and what needs to change to ensure full compliance with German and EU legislation as well as internationally recognised responsible business conduct.

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ACRONYMS

BAFA:	Bundesamt für Wirtschaft und Ausfuhrkontrolle
CDSB:	Climate Disclosure Standards Board
CDP:	Carbon Disclosure Project
CSDDD:	Corporate Sustainability Due Diligence Directive
CSRD:	Corporate Sustainability Reporting Directive
EBRD:	European Bank for Reconstruction and Development
ESRS:	European Sustainability Reporting Standards
GRI:	Global Reporting Initiative
IFC:	International Finance Corporation
ILO:	International Labour Organisation
IPAM:	Independent Project Accountability Mechanism
IAL:	Indorama Agro LLC
IR:	Integrated Reporting
LkSG:	Lieferkettensorgfaltspflichtengesetz
NFRD:	Non-Financial Reporting Directive
OECD:	Organisation for Economic Co-operation and Development
OHCHR:	Office of the High Commissioner for Human Rights
RBC:	Responsible Business Conduct
SASB:	Sustainability Accounting Standards Board
SME:	Small and Medium-Sized Enterprise
UN GP:	United Nations Guiding Principles
WDI:	Workforce Disclosure Initiative

Introduction

Uzbekistan's cotton sector has been tainted by decades of state-orchestrated forced labour resulting in a global boycott by over 300 leading brands and retailers. In response, the Uzbek government has embarked on an ambitious reform path to rehabilitate its textile industry and attract new business partners and investments. Accompanied by an aggressive PR campaign promoting Uzbek textiles abroad, some brands and retailers have begun importing and even manufacturing in Uzbekistan.¹ The German government has also supported initiatives to promote trade between German companies and the Uzbek textile sector, specifically through the establishment of the German-Uzbek Textile Partnership (GUZ) with the involvement of the Federal Ministry for Economic Cooperation and Development and the German textile sector association, Gesamtmasche.² In addition, GiZ, the German Association for Cooperation, delivers capacity building and technical assistance to the Uzbek textile sector with 107 in-country staff.³

While foreign investment and the development of Uzbekistan's textile sector is crucial to providing employment and revenue for the country, the country's framework for human and labour rights remains fraught with challenges for ensuring adequate due diligence and compliance with supply chain legislation and ethical sourcing.

At the same time, companies are increasingly under a soft-law expectation to perform human rights due diligence, namely to identify, address, track and report risks and impacts on human rights (and the environment). Germany has in recent years translated such a human rights due diligence expectation into hard law. This report aims to provide a state of play of the public reporting of companies operating in Germany with regards to their human rights due diligence, in particular through the lens of potential linkages and risks related to Uzbekistan's textile sector.

Section I

Challenges to Responsible Sourcing of Cotton from Uzbekistan

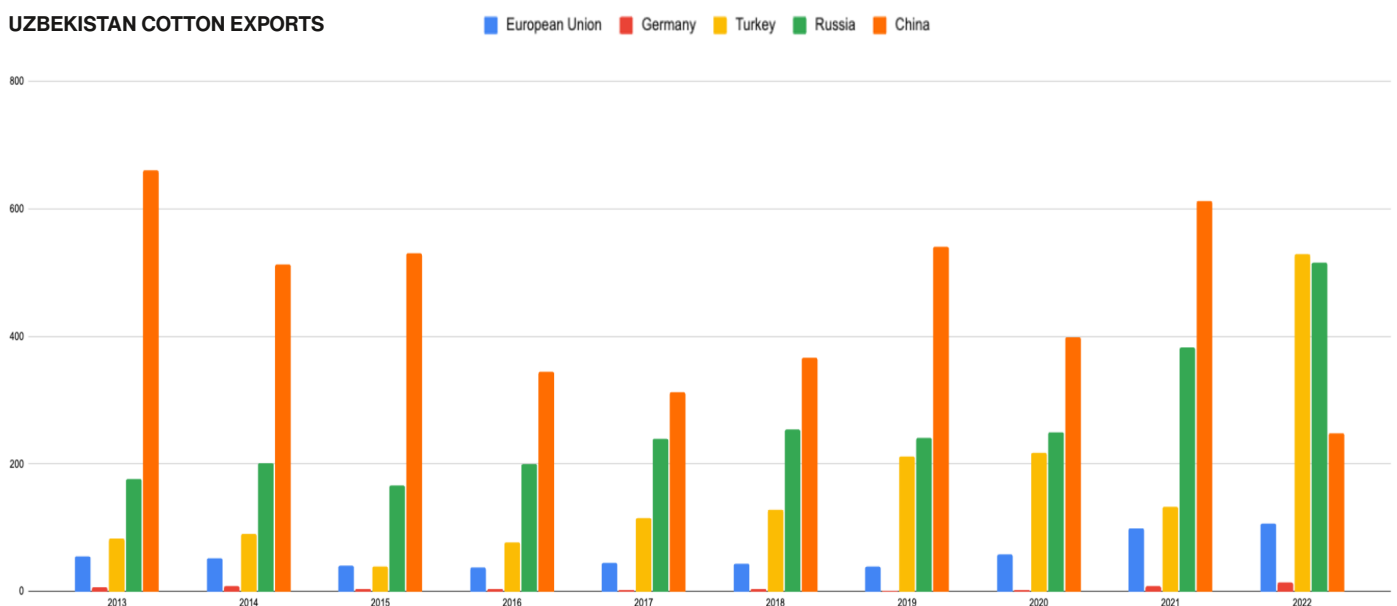
COTTON AND TEXTILE PRODUCTION IN UZBEKISTAN

Cotton export

Uzbekistan is one of the world's largest producers of cotton and continues to grow its production capacity. According to official data, 3.8 million tons of cotton were produced in Uzbekistan in 2023, an increase from 1 million tons in 2013.⁴ The government has ambitious plans to further expand the industry. According to the acting chairman of Uzbekistan's textile association, exports are planned to reach \$10 billion by 2030. Since privatisation of the sector began in 2017, raw cotton that was previously exported to secure valuable hard currency, is now used for domestic manufacture of cotton and textile goods.⁵

Exports of textile products were estimated to be worth \$1.7 billion in the first half of 2024 with exports to 55 countries including Germany and Europe, amounting to 11.8 % of Uzbekistan's total exports.⁶ Germany is Uzbekistan's 7th largest direct trading partner. According to The Center for Economic Research and Reforms, the volume of trade between Uzbekistan and Germany exceeded 1 billion Euros in 2023 and since the beginning of 2024, 800 million Euros were invested by German companies. In addition, cooperation projects with a total value of nearly 9 billion Euros are being developed with leading German companies and banks. To date, 276 enterprises involving German investors are operating in Uzbekistan. Accumulated investments and loans from Germany to Uzbekistan exceed 4.5 billion USD with textiles among the major sectors.⁷ In addition, cotton fibres and other raw materials from Uzbekistan will also enter the EU and Germany via materials processed in for example Turkey.

UZBEKISTAN COTTON EXPORTS



Source: <https://tradingeconomics.com/> and <http://oec.world>



**Cotton truck,
Buvayda district,
Fergana region,
September 2024**
©Uzbek Forum

Cotton and textile production

The country's annual cotton harvest that typically takes place between late August and November involves approximately two million pickers who are generally recruited by local administrations from among the rural community. For many, wages for picking cotton are an important supplementary income.

In the course of privatisation of cotton production, the sector has seen the establishment of private enterprises known as clusters. These are vertically integrated cotton and textile producing companies that combine cotton production, processing, spinning and often the manufacture of finished garments. According to the Association of Textile and Garment Industry Enterprises of Uzbekistan there are today 96 cotton textile clusters that provide employment for some 400,000 workers excluding cotton pickers.⁸ This number has dropped significantly since the start of privatization following the bankruptcies of many clusters which in some cases has led to farmers and workers left unpaid.⁹

Cotton clusters either produce cotton themselves through what is known as "direct" farming or by contracting with cotton farmers, also known as "indirect" farming. Clusters typically process and spin cotton into yarn and some also produce finished garments while others export yarn and fabric. In some cases, clusters outsource some of the processes where they lack their own facilities. In addition, some clusters import additional cotton from other countries such as Kazakhstan.

As clusters control all stages of production, this means that the cluster itself has a responsibility to protect labour rights at all stages, including its purchasing practices that ensure labour rights are upheld at field level, including in contract farming. Companies sourcing from Uzbekistan therefore have responsibility to respect human rights and conduct human rights due diligence across the full value chain which means from farm level to finished garments leaving the factory floor.

While the cluster system is the predominant way of producing cotton and textiles in Uzbekistan, cotton can also be produced by cooperatives and fabric or finished goods can be produced by textile facilities outside the cluster system. Cotton clusters or other producers outside the cluster system that import cotton and/or semi-finished cotton products, brings a risk of loss of traceability and knowledge of human rights risks across the supply chain.

Despite privatisation across multiple sectors of the economy, the government continues to exert significant control, especially in the agriculture sector. In an interview in July this

year, Marco Mantovanelli, former country director of the World Bank in Uzbekistan warned of the implications of continued government involvement in the private sector.¹⁰

The government maintains strict oversight of the cotton harvest, mainly by closely monitoring daily cotton schedules whereby each district official is obliged to ensure that production forecasts based on the projected yields for every cotton farmer in their district are fulfilled. All cotton and grain farmers are required to grow only these two crops, a system known as forced crop placement, which ensures that the state can calculate exactly how much cotton and grain is projected to be produced in each district of the country.



@ozodlik.org

The daily cotton production schedules are overseen by presidential advisor for Agrarian Development, Shukhrat Ganiev. Officials who lag behind in their production targets are subjected to intense pressure to fulfil them on time and often threatened with dismissal or even criminal proceedings.¹¹ These forecasts have replaced the state-set quota for cotton production that was abolished in 2019, after rights monitors identified it as one of the key drivers for the forced mobilisation of cotton pickers. However, the continued use of forecasts serve as de facto quotas and have been shown to contribute to coercive practices in the recruitment of pickers to fulfil them.¹² As a result, the risk of forced labour in the sector remains high.

The majority of farmers who formerly produced cotton for the state at prices set by the state, are now under contract to deliver to clusters. Until legislation was passed in December 2023, farmers had little choice over which cluster they could contract with as initially only one cluster operated per district which also controlled all infrastructure including delivery points and storage. This gave farmers little to no bargaining power to negotiate fair prices and conditions.

As of 2024, farmers can now conclude contracts with clusters in an online auction process whereby they offer their cotton for a minimum price recommended by the Ministry of Agriculture, based on the average price of raw cotton on the New York stock exchange over the previous 12 months.

In early 2024, the minimum price was 7,800 UZS per kilo (\$0.61) and many farmers had concluded contracts for up to 11,400 UZS. However, during the 2024 harvest, clusters complained that as the price of cotton had fallen on the world market since signing contracts with farmers at the beginning of the year, their profits would drop. At the beginning of September 2024, farmers were confronted with the fact that clusters claimed they would not be able to pay the price they had already contractually agreed to.

On 13 September 2024, the government intervened by issuing a decree ordering farmers to sign an additional agreement that reduced the price they had contractually agreed upon with clusters to 6,800 UZS.¹³ Farmers did not receive any prior warning or offer of negotiations from the clusters, and many did not learn that the cluster was refusing to pay the contract price until the day they brought cotton to the cotton delivery points. According to many farmers, they will struggle to break even or face bankruptcy.

According to one farmer under contract with Fergana Global Textile in Uchkuprik district, “I had signed a contract with Fergana Global Textile. But the cluster said that they could not pay us 7,800 UZS, and that we should cancel the contract. Naturally, I did not agree. They said that if we didn’t sell our cotton to them for 6,800 UZS per kilo, we should remove our cotton from their cotton storage point”. According to the farmer, an additional contract had to be signed for storage but that the cluster refused to sign the contract unless farmers agreed to sell their for the reduced price of 6,800 UZS. In a video posted on Telegram, a representative of Fergana Global Textile cluster can be heard in an exchange with a farmer telling him he would not be paid the contractually agreed price.¹⁴

In Shavat district in Khorezm, farmers under contract with Uztex cotton cluster told Uzbek Forum monitors that those who refused to sign the additional agreement were brought by force to the administration offices and threatened with land lease terminations if they did not sign.

Such arbitrary interventions by the Uzbek government that effectively unilaterally declared signed contracts null and void with no warning and were then enforced under threat of penalty is a serious indicator of risk. It demonstrates serious shortcomings in the rule of law, undermines legal certainty and contributes to exploitative practices, making it more difficult for companies to do due diligence.

According to the OHCHR Corporate Responsibility to Respect Interpretive Guide, such a context “should automatically raise red flags within [an] enterprise and trigger human rights due diligence processes that are finely tuned and sensitive to this higher level of risk.”¹⁵ Indeed, increased risks, even when generated by the state, automatically means that companies operating in high risk countries, or working with business partners in those countries, should step up human rights due diligence efforts. Such due diligence should be conducted to ensure that a business is not involved in government violations of human rights through their operations or business relationships.¹⁶

Cotton worker,
Buvayda district,
Fergana region,
September 2024
©Uzbek Forum



MAIN HUMAN AND LABOUR RIGHTS RISKS IN UZBEKISTAN

Although Uzbekistan has seen a range of mainly economic reforms ushered in by President Shavkat Mirziyoyev since he took office in late 2016, the durability of reforms to eliminate forced labour are undermined by lagging progress on democratic and civil reforms.¹⁷ Freedom of speech and media freedom have come under attack as evidenced by the persecution of bloggers, journalists and activists over the past three years.¹⁸ Coupled with persistent restrictions on the ability of civil society to register independent human rights NGOs and independent trade unions, Uzbekistan remains a deeply authoritarian society.¹⁹

This has far-reaching implications for independent monitoring and reporting on rights violations and poses a serious challenge to companies that require verification of the absence of rights violations in their supply chains.²⁰ At the same time, robust stakeholder engagement is key to properly understanding any situation, identifying risks and effectively addressing impacts. The human rights environment in Uzbekistan at present reduces the perspective of quality human rights due diligence all together.

Child and forced labour

Uzbekistan's cotton sector has struggled to rehabilitate itself from the legacy of decades of state-sponsored forced labour involving two million adults and children, some as young as eight.²¹

In response to mounting international pressure, a series of reforms were introduced in the early days of the Mirziyoyev administration to eliminate forced labour that led to the end of a years-long boycott of Uzbek cotton by over 300 of the world's leading brands and retailers.²² In 2021, human rights monitors found no evidence of government-imposed, widespread forced labour and in March 2022, the boycott was ended.²³ The announcement was made at a press conference that received national television coverage and was showcased as testament to President Mirziyoyev's commitments to democratic reforms.

Uzbekistan has ratified the International Labour Convention (ILO) Convention No. 182 “On the worst forms of child labour” and in 2008, passed legislation “On the Ratification of the Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour”.²⁴ According to these norms, it is prohibited to use the labour of persons under 18 years of age in work that is “likely to harm the health, safety or morals of children” and includes cotton picking.²⁵

In 2009, the Ministry of Labour and Social Protection and the Ministry of Health adopted a decision “On the Approval of the list of Jobs with Unfavourable Working Conditions” in which the employment of persons under the age of 18 is prohibited and includes manual cotton picking and manual irrigation.²⁶ Article 51 of the Code of Administrative Liability states that “Administrative coercion to labour in any form, except as provided by law, shall entail a fine of one to three times the minimum wage. The same offence committed against a minor shall entail a fine of five to ten times the minimum wage”. Nonetheless, child labour persisted until 2013.

Uzbekistan has also ratified ILO Convention No. 29 on forced labour and Convention No. 105 on the abolition of forced labour.²⁷ Since President Mirziyoyev came to power, further legislation was passed that criminalises the repeated use of forced labour with penalties of a fine or up to three years of deprivation of a particular right or correctional labour.²⁸

Although significant progress has been made to eliminate forced labour, human rights organisations who annually monitor the harvest have repeatedly warned of the fragility of reforms without wider political and civil reforms. Since 2021, independent monitoring findings of subsequent harvests have shown that the ongoing risk of forced labour in the cotton sector is very real.

The shortage of pickers during the 2023 and 2024 cotton harvests has exposed the weaknesses of labour rights protections and the risk of forced labour.²⁹ The lack of pickers was caused by several converging factors: rural workers could earn more money in alternative agricultural jobs; farmers whose cotton production costs outweigh their income were unable to offer wages attractive enough to recruit sufficient numbers of pickers; and, in contrast to 2021 when no widespread forced labour was observed, many rural workers have returned abroad to seek work following the lifting of travel restrictions during the pandemic.

Under pressure from presidential advisor, Shukhrat Ganiev, to achieve the daily cotton forecasts, some government officials, in turn, under threat of penalty, have resorted to issuing orders to employees of state-owned enterprises, including banks and utilities companies, to recruit pickers to the fields. Although the scale appears to be neither widespread nor systematic, a significant number of instances of forced labour reveal the inherent weaknesses in a cotton sector that to this day bears many of the hallmarks of the pre-privatization Soviet-style command system.

Freedom of association

Obstacles to freedoms of association and collective bargaining create a precarious environment for labour rights and the protection of workers and farmers from exploitation. Coupled with a lack of civil society organisations and restrictions on freedom of speech, independent monitoring of and reporting on labour rights in Uzbekistan present significant challenges to due diligence and compliance with supply chain legislation.

The Uzbek Labour Code which was revised in April 2023 provides for labour protections that reflect international best practice, including the right to freedom of association and collective bargaining.³⁰ However, in practice the law is often either ignored or simply not implemented. There are numerous examples of textile workers who have not been paid by clusters for months on end but receive no support from FTUU to claim their rights. In

November 2024, workers at Real Agro Cotton Cluster filed a complaint with the prosecutor after the company failed to pay them for four to five months.³¹

The Uzbek government has ratified 22 ILO conventions including No. 87 on the right to freedom of association which is also enshrined in the Uzbek Labour Code.³² Nonetheless, it is de-facto impossible to form an independent trade union and the only known democratically elected trade union at Indorama Agro has been systemically gutted through the misclassification of employees as service providers.³³

The Federation of Trade Unions of Uzbekistan (FTUU) is essentially a government-aligned body whose chair is informally appointed by the government without democratic or transparent elections.³⁴ Trade unions in Uzbekistan do not act independently of the FTUU or the government and there are virtually no official strikes. The FTUU has thus far failed to gain full membership of the International Trade Union Confederation (ITUC) in light of inadequate implementation of ILO conventions and other labour rights norms.³⁵

In June 2023, the ILO signed a Memorandum of Understanding with the Uzbek government and the FTUU to strengthen labour rights, enhance employer/worker dialogue and assist in implementation of international labour standards through the ILO Better Work programme.³⁶ However, given the persistent constraints on freedom of association outlined previously, participation in the Better Work programme is unlikely to give companies confidence that labour rights standards are being fully complied with.³⁷

Barriers to registration of independent trade unions are similar to those for the registration of independent NGOs. The process involves an overly-burdensome bureaucratic process that often results in multiple rejections of applications on spurious grounds such as spelling or grammar mistakes. Instead of correcting the mistakes and re-submitting the same application, applicants are forced to begin the entire process from scratch.³⁸ In December 2023, veteran human rights defender Agzam Turgunov's application to register his NGO was rejected for the 13th time.³⁹

In addition, restrictions on foreign funding and the obligation of NGOs to permit a designated "national partner", a government representative, to oversee projects in receipt of foreign funding, poses significant challenges to monitoring and reporting on issues sensitive to the government.⁴⁰

Wages and working conditions in the cotton sector

Cotton picking

The annual cotton harvest attracts approximately two million seasonal pickers each year. In 2024, the projected amount of cotton to be harvested was 3.6 million tons, although due to the shortage of pickers it appears that that target will not be met.

Temperatures in the cotton fields can reach up to 50° in the late summer months and many fields do not provide for adequate shelter and hygiene facilities. Pickers often travel to neighbouring districts and spend overnight stays of several days. The accommodation, usually provided by farmers and/or clusters, is rudimentary. Given the disproportionate number of women in picking brigades, lack of gender appropriate accommodation and toilets is a cause for complaint from many women.

Conditions for pickers have improved significantly over recent years, including rates of pay, although they have not kept pace with inflation which was a contributing factor to the shortage of pickers in 2023 and 2024. On average, a cotton picker can expect to earn between 1,500 and 2,000 UZS (approximately \$0.12 and \$0.16) per kilo of cotton and pickers can pick up to 100 kilos per day. Pickers traditionally also receive in-kind payments

**Cotton pickers stop
for lunch during the
2024 harvest,
Buvayda district,
Fergana region,
September 2024**
©Uzbek Forum



such as cooking oil as incentive bonuses, although many farmers have not been able to afford to pay incentives during the 2024 harvest. In one season, earnings for pickers often represent a significant part of rural incomes.

In September 2024, faced again with a severe shortage of cotton pickers, the government intervened and instructed farmers and clusters to increase the wages for pickers to 2,500 UZS per kilo.⁴¹ However, it is impossible to verify whether farmers were able to afford to pay higher rates given their financial constraints, although the government made subsidies available as loans to offset the costs. Still, farmers say these loans are difficult to access because of the bureaucratic procedures involved.

Textile factories

For the purpose of this report, Uzbek Forum conducted monitoring of two of Uzbekistan's largest cotton clusters, Global Textile in Fergana region and Uztex in Khorezm region, in August and September 2024. Both clusters control all stages of the supply chain through both direct and indirect farming, as well as processing, spinning and manufacture of finished goods. According to Uztex' website, the company engages in production, processing, dying, spinning, weaving and manufacture of textile products. It employs over 20,000 workers in three regions of Uzbekistan and exports thread, yarn and fabric to over 45 countries.⁴² Global Textile has factories in Tashkent and Fergana, Fergana Global Textile and Global Textile Infinity. According to the company's website, the Fergana factories employ some 4,500 people. The company is a participating member in ILO's Better Work programme.⁴³ The programme is designed to improve labour rights in the textile sector, enhance worker/employer relationships and ensure implementation of international labour standards. However, although freedom of association is one of the cornerstones of the Better Work programme, there are no indications at present that the Uzbek government is on track to enable the formation of independent trade unions or other worker organisations.

Both Uztex and Global Textile produce cotton products for western brands, including German companies. While Global Textile declined to disclose which specific companies

they supplied due to non-disclosure agreements with their clients, Uztex counts German companies Ferdinand Dameris, Ernstings Family, Falke, Yellamaris and Teamdress among its clients, which were contacted prior to releasing this report. Additionally, KiK confirmed that it had started sourcing from Uzbekistan, whereas other companies have been reported to have initiated sourcing in Uzbekistan.

Monitors conducted 40 interviews in total with workers offsite at each company and visited the companies' manufacturing facilities. Factories are modern, clean and well equipped, employing several thousand workers, the vast majority of whom are women. As well as interviews, monitors conducted desk research to collect supplementary information.

All workers of both companies interviewed by Uzbek Forum monitors spoke only on condition of anonymity. All confirmed that working conditions are modern and hygienic and that they are provided with free lunch and transport to and from work. Although workers are exposed to dust and noise, they are provided with protective clothing (uniforms which are obligatory) free of charge.

At both companies, the vast majority of workers said there was a FTUU affiliated trade union but that they were unaware of any union activity that promoted workers' rights, although all confirmed that they paid 1% of their monthly salary in membership fees. All interviewees said they received paid holidays and statutory employer contributions, that their wages were paid in full and on time and some said they were also paid bonuses for working well.

During the annual cotton harvest both companies offered workers the opportunity to earn extra money by cotton picking in addition to their usual work. While workers at Global Textile said that there was no obligation to do so, most workers at Uztex said that they felt they could not refuse if asked for fear of losing their jobs. The obligation to pick cotton is not included in workers' contracts at either company. At the same time, most workers said they were glad of extra income through cotton picking to supplement relatively low wages which at Uztex ranged from 1,800,000 - 2,500,000 UZS (\$140 to \$195) after tax and deductions for a six-day week, working eight hours per day.

**Uztex spinning mill,
Shavat district,
Khorezm,
August 2024
©Uzbek Forum**



Workers at Global Textile told monitors they elected a worker representative to raise problems and concerns with management as they arose and felt that they were generally addressed. Nonetheless, it is not clear how often these elections are held or what the selection procedure is or whether the representative has a managerial or supervisory role in the company which could inhibit collective bargaining for higher wages or shorter working times. Workers told monitors that the company provides a box for grievances, but none said they had had reason to submit any complaints and praised the company management for its responsiveness to modest requests to improve conditions.

In contrast, monitoring findings at Uztex revealed an excessive level of control over workers during work time where speaking at the workplace is prohibited. As one worker commented, “For eight hours, employees seem to be cut off from the world. They can’t use a phone or anything else.” Workers are obliged to give up their phones when entering the building and are physically searched by security guards, while facial recognition cameras record entry and departure from the premises.

Workers at Uztex can only raise a complaint by using a bot at a dedicated location at the entrance to the building where facial recognition cameras are in operation and that requires a QR code generated by the worker’s phone. This means that the company grievance mechanism lacks the required guarantee of anonymity and is likely to suppress the willingness of workers to voice their concerns.

Land distribution and exploitation of farmers

The privatisation process also saw the mass redistribution of farmland from farmers to clusters. All agricultural land in Uzbekistan remains in state ownership and farmers generally lease their land for a period of 30 years. Farmers’ rights are extremely poorly protected and land leases can be terminated through coercive and corrupt practices by local officials (hokims). On January 9, 2019, the government of Uzbekistan adopted a resolution “On Additional Measures to Optimise the Land of Farms and Other Agricultural Enterprises, and the Efficient Use of Agricultural Land”.⁴⁴

The objective was to optimise farms and dekhans (smallholder farms) and transfer land to the private sector to increase agricultural output. In practice, the optimization has turned into a mass illegal seizure of farmers’ land in violation of their existing long-term land lease agreements because of the absence of security of tenure and effective mechanisms for allocating land based on market principles that has been compounded by abuse of power by local officials.⁴⁵

In many cases, land transfers have been carried out by local officials in the interests of cotton clusters to ensure that the terminations were “voluntary” and would incur no compensation for loss of land, assets, or income. Hundreds of cases of illegal land confiscations have been documented by Uzbek Forum and the Uzbek media throughout the country since the privatisation of the agriculture sector began in 2018.⁴⁶

On January 18, 2019, 450 farmers in Pop district, Namangan region, were ordered to come to the hokimiyat (local administration) where they were prevented from leaving before they had signed “voluntary” statements to terminate their land leases.⁴⁷ This methodology has been applied in other districts and regions. Uzbek Forum has interviewed farmers in Buvayda district of Fergana and Kushkupir district of Karakalpakstan, who confirmed they had also been coerced into “agreeing” to give up their land. During 2024, there have been numerous cases of farmers who have been forced by local officials to sign “voluntary” land lease terminations.⁴⁸

In other cases, local authorities use illegal methods of pressure by forcing farmers to write applications for voluntary termination of the land lease agreement in advance by leaving a blank date on the leases that can be used at a time of the authorities' choosing. If the farmer fails to fulfil his contractual obligations to supply cotton to the cluster, the hokims (local officials) use these applications to seize the land without notice. However, according to Uzbek law, failure to fulfil contractual obligations does not in itself constitute grounds to terminate land lease agreements which can only be carried out via a court decision.

Cotton and grain farmers in Uzbekistan are at high risk of exploitation and coercion by clusters and state officials who regularly intervene to ensure that farmers deliver their cotton to a specific cluster.⁴⁹

Farmers who are required to grow cotton and grain are at risk of termination of their land leases for failure to do so and are forced to cultivate silkworm cocoons, although this is not stipulated in their contract.⁵⁰ In some cases, farmers have been subjected to punitive actions, such as destruction of their crops, when they cultivated other crops such as rice that were more profitable for them.⁵¹ In the Syrdarya district of Syrdarya region in June this year, the governor forced farmers to plant cotton instead of the rice they had cultivated because poor soil conditions were not suitable for cotton.⁵²

In short, farmers whose land leases stipulate the requirement to grow cotton and wheat are supplying clusters with a steady supply of cotton. These farmers have limited bargaining power and are subject to arbitrary interventions by the state to impose low prices for cotton and higher wages for pickers. In addition, cotton and wheat farmers are obliged to produce pre-determined yields of those crops and face the threat of termination of their land leases for failure to do so or for using their land to grow any other crop. Such far-reaching restrictions by the state would also raise red flags for companies operating in Uzbekistan or those linked with Uzbek cotton.

Furthermore, the seizure of land further complicates any corporate due diligence practice. While companies may not directly cause or contribute to such practices, land security underpins numerous human rights, as reflected in various human rights standards.⁵³ Companies must respect legitimate tenure rights, even where states fail in their own duty to protect land rights.⁵⁴ Indeed, the responsibility to do due diligence entails identifying and addressing overlapping historic claims to land (land legacy issues) prior to commencing the business activity. This may, in certain circumstances, mean in practice temporarily delaying the intended business and insisting that the government addresses outstanding land issues.

The case of Indorama Agro (IAL)

In 2021, the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) approved two loans of USD 130 million, in aggregate, to Indorama Agro LLC (IAL) to support private sector investment in the cotton farming sector in Uzbekistan.⁵⁵ A Cabinet of Ministers decree of 2018 ordered the transfer of 50,000 hectares of land in Kashkadarya and Syrdarya regions to IAL where 2,897 farms operated.⁵⁶ Of these 2,897 farms, 1,068 farms are now under the control of IAL, acquired via so-called "voluntary" land lease terminations. In effect, the land was illegally seized through forced written statements taken from farmers under pressure or by deception. Even when farmers refused to sign, their land was taken away regardless.

The transfer of land to IAL, which took place between 2018 and 2019, is contingent on investments of \$225 million in cotton and crop production and \$115 million for cotton processing and production of yarn, as well as the creation of 1,500 jobs.

Indorama Agro
@Indorama Agro LLC



According to dozens of interviews with farmers conducted by Uzbek Forum, the understanding was that farmers would be offered employment in return for losing their land. However, these commitments have not been upheld. Since 2019, IAL has made hundreds of workers redundant, including 1,200 irrigators and 392 brigade leaders, in a series of restructuring efforts that include changing the employment status of workers to service providers, denying them statutory employer benefits such as pension contributions, sick pay and, crucially, eligibility for trade union membership.⁵⁷

A democratically elected trade union, the only known of its kind in Uzbekistan, was established in March 2021 in response to mass redundancies and labour rights violations.⁵⁸ The union has been subjected to numerous attempts to undermine it through union-busting tactics such as staging illegitimate elections and intimidation against union leaders. The misclassification of some 370 employees as “service providers” in 2023 has led to the decimation of membership and since March 2023, the trade union leader has severed all communications with civil society organisations. The result has been a worsening of labour conditions, an escalation in retaliations against workers who speak out, unpaid labour under threat of reprisal and the absence of any effective and genuine grievance mechanism.⁵⁹

Moreover, no compensation has been paid for the termination of land lease agreements to those farmers who refused to be employed by the company. In the absence of independent associations that represent their interests, farmers have been left destitute with little or no redress. In August 2023, Uzbek Forum and Bankwatch filed a request for compliance review and the project is now under investigation by the EBRD’s Independent Project Accountability Mechanism (IPAM).⁶⁰

Uzbek Forum has monitored the IAL project since 2021. However, as of January 2024, monitoring has been suspended due to credible threats of criminal charges against monitors for speaking to workers, while workers who have engaged with Uzbek Forum have come under pressure from company management and state security services.

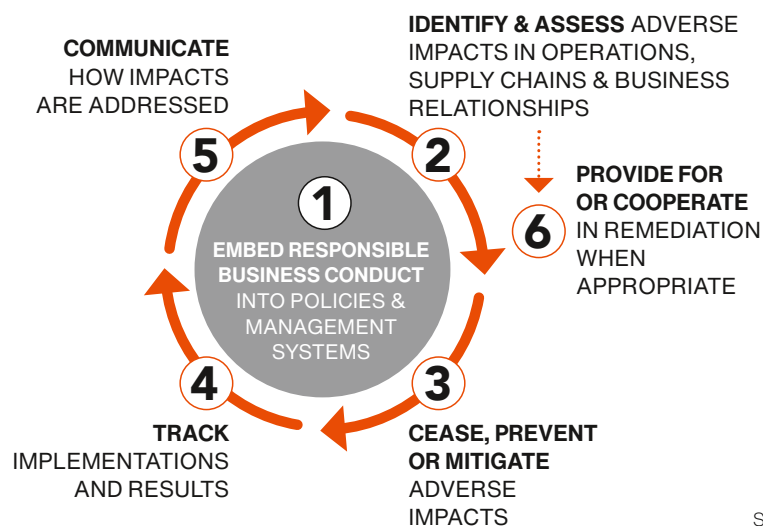
Section II

Corporate (soft law) expectations and (legal) obligations

SOFT LAW FRAMEWORK

The UN Guiding Principles on Business and Human Rights (UNGPs), which provide a policy framework clarifying responsibilities of both states and companies, were unanimously adopted by the UN Human Rights Council in 2011. Also in 2011, an updated version of the OECD Guidelines for Multinational Enterprises (OECD Guidelines) met the same unanimous endorsement by the OECD Council in an effort to align with the UNGPs.⁶¹ Both internationally accepted standards derive their authority and legitimacy from the fact that they were agreed upon by consensus at authoritative intergovernmental bodies (the UN and OECD) and are backed by a large group of governments around the world. Both instruments equally advance Human Rights Due Diligence (HRDD) as the key strategy for companies' duty to respect human rights. In addition, the OECD published its Due Diligence Guidance for Responsible Business Conduct (OECD RBC Guidance) which further clarifies the due diligence framework with recommended practical actions for companies under each step of the process. These expectations apply across industries and geographic locations, creating a common global standard for human rights in business activities. In addition, the OECD has provided further detail in sector specific guidance including on textiles and garments that is of importance to cotton produced in Uzbekistan.⁶² Figure 1 provides an overview of the due diligence process as conceived by the OECD.

Figure 1: Overview of due diligence process as conceived by the OECD



Due diligence is a standard of conduct that has as its aim to prevent, mitigate, and remediate human rights impacts. The OECD Guidelines outline a six-step process for the due diligence duty: 1) Embed responsible business conduct into policies and management systems; 2) Identify and assess adverse impacts in own operations and those of business relationships; 3) Cease, prevent, or mitigate adverse impacts; 4) Track implementation and results; 5) Communicate how impacts are addressed throughout the six-step process; and 6) Provide for or cooperate in remediation where appropriate.

Identification of risks and impacts

The UN and OECD standards expect companies to carry out risk-based, proportionate due diligence across their operations and the full length of their value chains. Companies should have appropriate strategies and systems in place to ensure that they scope and identify potential and actual impacts, wherever they sit in the chain.

First and foremost, such identification should be risk-based, instead of a one size fits all approach, which most standard and compliance regimes use. Indeed, according to the OECD Due Diligence Guidance, companies should undertake their own broad, high-level scoping exercise to identify all areas of the business, across its operations, supply chain and other business relationships, where risks to responsible business conduct (RBC) are most likely to be present and most significant (Step 2.1). Companies should take into account a range of factors such as specific sectoral, product, enterprise and country risks, and the assessment should correspond to these in order to identify the most significant risk areas for further assessment. Companies are then expected to undertake “broad scoping exercise to identify all areas of the business, across its operations and relationships, including in its supply chains, where RBC risks are most likely to be present and most significant” (2.1.) and as a next step to “(...) carry out iterative and increasingly in-depth assessments of prioritised operations, suppliers and other business relationships in order to identify and assess specific actual and potential adverse RBC impacts” (Step 2.2).⁶³

The OECD Textile Leather and Garment Guidance further specifies that when enterprises are performing assessments, both the nature and methodology of these assessments should correspond to the human rights risks that can be expected. The Guidance even foresees a control mechanism, that if actual findings do not correspond to the risks that were expected, based on country or sector specific risk assessments (e.g. in the scoping exercise), the methodology needs to be adapted.⁶⁴

The experience with (social) audits and certification regimes, especially in light of OECD Guidance, warrants a critical use. Given that these often result in under-reporting, under-detecting and under-remediating risks and impacts, social audit and certification regimes are often not fit for purpose to base a due diligence strategy on. It is therefore important to distinguish clearly between the actual due diligence steps, for example through identification and verification, and what social audits and certification can actually deliver.⁶⁵

In the context of Uzbek cotton, companies need to assess whether they are linked to Uzbekistan through a mapping of their full value chain. Indeed, the absence of direct sourcing relations which visibly link companies to Uzbekistan does not mean an absence of a relationship, as companies may be linked to Uzbek cotton through direct buying relationships in other places such as Turkey. Given the specific severity of the risks, the size and position of the industry and thus the probability of being linked to Uzbek cotton through indirect business relationships, this should be prioritised and include the requirement of targeted work with direct suppliers.

Once relationships are identified, the scoping exercise would reveal the problematic context of disputed land titles, limited civic space, as well as direct and indirect government control over production. In such a context, there is a high risk of limits to freedom of association, poor working conditions (despite visibly modern installations) and low wages and forced labour. Assessment methodologies should be appropriate to such issues, and overreliance on identification and assessment mechanisms such as Better Work or Better Cotton should be avoided by complementing these assessments with their own evaluations. Assessments should for example include whether there are fair or unfair recruitment practices, whether there are blank contracts or not, low wages, opaque or

understandable payslips etc. If bodies such as Better Work or Better Cotton are used, companies would need to verify whether the assessments of these bodies are both normatively and methodologically appropriate rather than taking that for granted.

Addressing impacts

The purpose of due diligence is, first and foremost, to cease and avoid causing or contributing to adverse impacts on people, the environment, and society, and to seek to prevent adverse impacts directly linked to operations, products, or services through business relationships.⁶⁶ When involvement in adverse impacts cannot be avoided, due diligence expects enterprises to mitigate the impacts, prevent their recurrence and, where relevant, remediate them. Due diligence is risk-based, ongoing, and iterative, appropriate to an enterprise's circumstances including its involvement in the harm, informed by stakeholder engagement, and may benefit from collaboration with other companies.

The adequacy of HRDD is related to its primary aim to prevent impacts, and, if an enterprise causes or contributes to impacts, to remediate them. This means that despite the process-based nature of HRDD, the measures employed will need to achieve a certain result. Robust HRDD thus both contains a dimension of quality processes, as well as certain outcomes for people and planet.

Having a policy commitment is thus not an “outcome” in and of itself – nor are carrying out activities such as site inspections, audits or conducting training for staff. These activities and their possible outputs are more tangible and more easily measurable, and may even be part of a broader approach of a company seeking to meet the expected standard of conduct. But, they are not necessarily evidence of outcomes for people and therefore do not constitute due diligence in itself.

The aim of achieving results in terms of respect for human rights is thus built into the concept of due diligence. Conceptually, the “due” in due diligence refers to the notion that the action (i.e. diligence) required should be commensurate with the severity of the risk or impact at hand and what is needed to effectively address that risk or impact. Given the ongoing and iterative nature, it involves reacting to new developments and situations as they arise, constantly (re-)evaluating priorities and courses of action, correcting where necessary and responding responsibly when impacts do occur in the form of mitigation, remediation and prevention of future/further harm.

To further strengthen the outcome dimension of “due”, it is important to look at the “track” step of the HRDD cycle (Step 4, see figure 1). In some cases, the tracking of implementation and results may reveal that the due diligence a company has conducted has not produced the intended result. In such a scenario, the company is expected to take additional steps, again with the aim of achieving the intended outcome.⁶⁷ In other words, measures taken with regard to a risk of a severe adverse impact that the company is causing should be actions that can reasonably be expected to either prevent the risk from materialising, or where there is an actual impact, effectively end, mitigate and remediate the impact. Similarly, when contributing or being directly linked to a risk of an impact, the measures should reasonably help to change the behaviour of this business partner, or alternatively should prompt an evaluation of the business relationship, possibly resulting in a responsible disengagement. Also, what is considered reasonable is likely to change over time as circumstances, context and legislative requirements evolve. HRDD is thus not reduced to endless cycles of the same processes which do not bring improved outcomes for people.

Indeed, effective HRDD involves demonstrating progress in achieving results on specific risks and impacts, ensuring that lessons are being learned and processes continually adapted where efforts do not result in the desired or expected outcome. If a severe risk or

impact persists despite the company's due diligence, with time their diligence is judged to no longer be adequate and thus does not fulfil the criteria of "due". This means, for example, that a company cannot continue to source from Bangladesh or Pakistan without achieving concrete improvements on fire and building safety, especially since the lethal incidents in the Tazreen Fashions fire and the Rana Plaza collapse.⁶⁸ In this context, the International Accord is a key reference, incorporating core features of HRDD. The Accord implements an inspection program to identify risks and assess the adequacy of safety measures to ensure a safe workplace. The Accord and the RMG Sustainability Council in Bangladesh do this by carrying out initial inspections to assess fire, electrical and structural safety standards, as well as follow-up inspections to monitor remediation and potential new issues.⁶⁹ Both the Accord and the RMG also conduct inspections in response to safety complaints and incidents.



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In the context of Uzbekistan, companies are faced with a high-risk landscape. The government continues to exert control of the cotton harvest and impose de facto production targets for individual districts for which local officials are responsible for delivering. When the availability of voluntary pickers is low, as was the case during the 2023 and 2024 harvests, officials risk failing to meet these targets, which can result in dismissal or other punitive actions. Under such threats, officials sometimes turn to coercion of state employees to either go to the fields themselves or pay for replacement pickers which amounts to the use of forced labour.

In addition, illegal, arbitrary land seizures, the lack of autonomy of farmers to choose what they grow, as well as limited influence over pricing makes them highly vulnerable to exploitation. This high-risk context is exacerbated by limited civic space and capacity for independent monitoring through restrictions on independent civil society groups to register. Restrictions on freedom of association also limit the establishment of independent, democratic trade unions or farmers' organizations. Furthermore, efforts to silence activists, rights monitors and critical voices means that reporting on rights violations is seriously curtailed. Such a context makes it difficult to actually assess potential and actual labour rights violations, and therefore sufficient attention should be paid to assessing both direct and indirect suppliers prior to actual business.

Once engaged in business, due diligence requires a multi-layered strategy working on several fronts at the same time. This includes removing barriers to workers and farmers to freely associate and bargain collectively and consequently adapting purchasing practices. Equally, particular attention should be paid to addressing red flags such as blank contracts, unregistered workers, opaque or incomplete payslips, low and/or withheld wages, delayed payments or any unfair recruitment practices.

Communication as part of human rights due diligence

Finally, communication is a core component of due diligence and also a focus of this report. Providing the right information to the right people at the right time is crucial for due diligence to be effective. However, the normative framework leaves a lot of discretion as to exactly what information companies are required to provide, when and to whom. Nevertheless, the soft-law norms call upon companies to "communicate how impacts are addressed", and the OECD Due Diligence Guidance for Responsible Business Conduct in particular has further clarified the expectations.⁷⁰

Information about due diligence, including due diligence processes, prioritisation, findings and plans, "is part of the due diligence process itself". A company that does not adequately communicate about all of its due diligence has failed to do due diligence. This means companies cannot simply state that they are conducting adequate due diligence; they must disclose the relevant details, such as findings on human rights risks and abuses arising in their operations, to show that their procedures are adequate.

Information disclosed should be "sufficient to demonstrate [to stakeholders] the adequacy of an enterprise's response to impacts". This places a high bar in relation to both the quality and nature of the information that should be disclosed and, crucially, puts the power to determine the sufficiency of the information provided with the stakeholder rather than the company.

If the enterprise causes or contributes to human rights impacts, the company must communicate with impacted or potentially impacted rights holders in a timely, culturally sensitive and accessible manner information that is specifically relevant to them. Communication is thus different and not limited to yearly, formalised reporting, but may also include proactively communicating information, particularly with affected parties.



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CORPORATE OBLIGATIONS TO RESPECT HUMAN RIGHTS

The emerging trend of making human rights and environmental risk-based due diligence mandatory throughout several jurisdictions is built on the soft-law framework, with some additional requirements or a degree of prescription in order to make the corporate obligation functional within the specific legal jurisdictions. At the same time, the emerging human rights due diligence laws do not always align in full with the comprehensive and principle-based nature of these authoritative instruments, thus leaving some gaps between the expectations of the international soft-law framework and the obligations of emerging laws.⁷¹

The German Act on Due Diligence in Supply Chains (Lieferkettensorgfaltspflichtengesetz, also known as LkSG) came into force on 1 January 2023 and introduced new obligations for supply chain due diligence on German companies.⁷²

The law covers companies having either their central administration, headquarters or registered office or a branch office and at least 1,000 employees in Germany. When calculating the employees of a company, employees of subsidiaries are also taken into account.⁷³

Companies within the scope of the LkSG need to perform iterative and ongoing due diligence regarding certain human rights and environmental protections in their own operations and their supply chain.⁷⁴ The term “supply chain” refers to all products and services of a company, including all manufacturing and service steps in Germany and abroad, from the extraction of raw materials to the delivery to the end customer. The entire supply chain in Germany and abroad is covered, although the due diligence requirements are differentiated between a company’s “own business”, the business of any “direct supplier” and finally – to a limited extent – the business of any “indirect supplier”.

Only where the company has substantiated knowledge of a possible infringement of applicable human rights beyond its own business area and the direct supplier, do due diligence obligations also apply towards indirect suppliers’ business. In such cases, the company must also subject its indirect suppliers to risk analysis as appropriate in a specific case. Appropriate preventive measures must immediately be adopted upon identifying such a risk. In addition, companies must implement an internal complaints procedure or grievance mechanism or participate in an external grievance mechanism that enables persons to report potential risks or violations of protected human rights or environmental obligations including at its indirect suppliers. All notifications must be followed up, and companies must also establish written rules of procedure and make them publicly available.

Companies must also issue a statement on their human rights strategy and must prepare an annual report on their compliance with their due diligence obligations during the previous fiscal year. This report must be made publicly available at no charge on the company's website for at least seven years. The supervisory authority, the Federal Office for Economic Affairs and Export Control (BAFA), has provided a template for companies to complete that report.⁷⁵ Such a report does not replace other non-financial reporting obligations. However, BAFA has issued a statement that no sanctions will be issued for companies who do not provide such a report and that it will check the submission and publication of reports for the first time on 1 January 2026.⁷⁶ Despite the absence of enforcement, the legal requirement is already in place.

With the adoption of the EU's Corporate Sustainable Due Diligence Directive (CSDDD), all EU countries are obliged to take the necessary measures to attain the objectives of the Directive.⁷⁷ In the case of Germany, this means that in the future, Germany will be required to impose additional rules upon companies which would align the duty more with the risk-based nature of the international soft-law framework, expand the human rights and environmental protections covered and apply the duty over the whole "chain of activities". This means that companies will no longer need to only prevent and end impacts at their indirect business partners when the threshold of substantiated knowledge was reached, but instead do so on a risk-based approach as described above. This would involve a risk-based scoping with further in depth assessments where risk is most severe. The CSDDD also does not contain a specific reporting mandate as the LkSG does, but instead delegates this to the Corporate Sustainable Reporting Directive (CSRD).

FORCED LABOUR REGULATION

On November 19, 2024, the EU Council adopted the regulation prohibiting products made with forced labour. This instrument prohibits the entry into the EU or the placing on the Single Market of products made with forced labour.

In addition, the Commission will create a database of forced labour risk areas or products to support the work of competent authorities in assessing possible violations of this regulation. Stakeholders including NGOs and Trade Unions can also provide information on where risks exist and actual specific instances. This prohibition is enforced by risk-based investigations largely led by the European Commission (in the case of the use of forced labour outside the EU) or member state authorities (in the case of the use of forced labour within its territory).

The final decision to ban, withdraw and dispose of a product made using forced labour will be taken by the authority that led the investigation and will apply in all other member states.

CORPORATE REPORTING OBLIGATIONS

As mentioned above, the LkSG requires companies in scope to submit annual reports to the Federal Office for Economic Affairs and Export Control (BAFA). In addition to the LkSG requirement, the CSDDD does not contain a specific reporting mandate, but instead relies on reports published under the CSRD, requiring companies covered by both pieces of legislation to explain how they comply with CSDDD within their CSRD reports.

Non-financial reporting has already been a requirement for some time. The Non-Financial Reporting Directive (NFRD) was adopted in 2014 and required certain companies to provide non-financial disclosure documents along with their annual reports, sometimes known as “sustainability reports”. The NFRD applies to public interest companies with more than 500 employees, namely listed or publicly traded companies, banks and insurance companies. It has been applied since fiscal year 2018 and introduces the obligation to report on non-financial information such as respect for human rights, treatment of employees and environmental and social matters.

Companies that started reporting on non-financial information since fiscal year 2018 were allowed to choose how they would report, including by using one of the various reporting frameworks, such as the Global Reporting Initiative (GRI),⁷⁸ the Sustainability Accounting Standards Board (SASB),⁷⁹ the Climate Disclosure Standards Board (CDSB),⁸⁰ the Carbon Disclosure Project (CDP)⁸¹ and the Integrated Reporting (IR)⁸². As a result of this choice, there is no uniform framework that applies equally across the board to all companies equally. Finally, under the NFRD, companies did not have to provide assurances about the content of the reporting.

The CSRD amends and further specifies the NFRD in terms of the content and format of sustainability reports, integrating them into annual financial reports and subjecting them to external audits and boards for approval.

With the adoption of the CSRD, the scope of the NFRD was widened to include all large companies and small and medium-sized enterprises (SMEs) that are public interest entities. Large companies are those that meet two of the three following thresholds below:

- > 250 employees and/or,
- > €50 million turnover and/or,
- > €25 million total assets of listed companies

This means that the number of companies in scope rises from approximately 17,000 to approximately 71,000 companies. Companies already subject to the NFRD will need to comply with the new reporting standards by 2025 (covering financial year 2024), with additional groups of companies being phased in in the coming years, while SMEs will only be required to provide such reports by 2028.

The content reporting obligations of the CSRD builds on the NFRD, but introduces the dual materiality concept, namely reporting on both the company’s impact on society and the environment and the sustainability risks it faces such as climate change and resource scarcity. Companies should report on their long-term objectives as well as any due diligence they perform in their operations and supply chain. In contrast to the NFRD obligations, the CSRD no longer allows companies to choose the standards but requires them to report in accordance with the EU reporting standards.⁸³

The CSRD further standardises how sustainability information is to be presented through the adoption by the European Commission of mandatory sustainability reporting standards (European Sustainability Reporting Standards or ESRS), thus increasing comparability.⁸⁴ Finally, companies will need to obtain external assurance to these reports.⁸⁵ The first ESRS were adopted on 31 July 2023 by the European Commission providing a reporting framework related to all companies independent of the sector.

SUPPLY CHAIN TRANSPARENCY

Corporate supply chains are notoriously opaque. At the same time, companies are increasingly disclosing sourcing, production and even growing facilities on a voluntary basis. The most notable campaign on the public disclosure of the supply chain is the Transparency Pledge. This is a coalition of NGOs and Trade Unions that have organised a concerted and sustained approach to key players in the clothing sector to encourage them to disclose their direct and indirect suppliers who make their clothes or annexed products. As a result, the garment sector has significantly increased the transparency in the so-called Cut Make Trim stage.⁸⁶ A number of companies have also started to disclose locations beyond this stage.

EU instruments such as the CSDDD, the NFRD, the CSRD and the ESRS do not require such site level disclosures. Other instruments such as the California Transparency in Supply Chains Act, the United Kingdom's 2015 Modern Slavery Act and the 2018 Australian Modern Slavery Act do not require such a strict obligation, leaving the choice up to the individual company.

Finally, in a number of jurisdictions including the USA, India and Mexico, customs data is publicly available through a Freedom of Information Act. In the EU, by contrast, customs data is not publicly available.⁸⁷ As a result, relevant stakeholders cannot readily obtain the information needed to identify forced labour in EU supply chains.

Findings

COMPANY REPORTS

For the purpose of this report, 65 selected garment and textile companies based or established in Germany were surveyed and analysed through the application of the analytical framework described above, as well as a selection of company policy documents, sustainability reports and web-based information. Of the 65 companies, a total of 47 are subject to LkSG reporting requirements.

Of the 47 companies subject to LkSG obligations, only five published a report explaining how they had carried out their obligations under the law. A greater number of companies has also produced a more general sustainability report, often applying one of the global standards applicable to the NFRD.

Of the five companies that comply with the obligations of the LkSG to disclose their report, four identified the risk of forced labour in general, including for their indirect suppliers. Zalando prioritises this risk for its direct suppliers while remaining unclear about prioritisation of its indirect suppliers. Only Adidas prioritises this risk for its indirect suppliers. None of the companies surveyed disclose any connection to Uzbek cotton which suggests they have no knowledge of any connection with Uzbekistan in their supply chain and/or have failed to assess the risk of forced labour in Uzbekistan.

In the NFRD-mandated sustainability disclosures, one brand (Tom Tailor) explicitly considers its current disclosure as a pilot project for CSRD disclosures. However, other brands may equally have been restructuring their reports to align with the ESRS without giving similar visibility. Substantively, almost all sustainability disclosure mentions the risk of forced labour, freedom of association and wages as a priority, and at minimum as a matter of policy, for example by referring to the relevant ILO Convention or stating a so-called zero-tolerance policy for forced labour.

Nonetheless, sustainability disclosures often stop at the level of policy, Code of Conduct or participation in an external programme and the operationalisation of the due diligence policies remains opaque. A limited number of companies in the total sample (19) also identifies forced labour as a salient issue in general beyond a mere policy statement, sometimes coupled with a risk strategy or a training programme. Engelbert Strauss, Adidas, C&A and Hugo Boss mention that no occurrence of child or forced labour has been found through audits or assessments, whereas Inditex gives a regional compliance rate (over 90%) of facilities. Puma in turn mentions to not have onboarded a facility due to the risk of forced labour. One brand (H&M) reported the number of instances of forced labour they detected as well the remedial status but did not disclose details on the location, nature of instances or remedial outcome.

With regards to cotton from Uzbekistan, the disclosures are even more limited. Inditex mentions Uzbekistan in relation to “Resilience” and a joint in-country ILO report.⁸⁸ However, it is unclear whether “Resilience” is in reference to a programme, a policy, activities or something else. Engelbert Strauss does confirm sourcing from Uzbekistan.

The outdoor clothing brand Columbia claims to have an explicit policy in relation to Uzbek cotton. It states that there is “overwhelming evidence of state-orchestrated forced labour being used in the cotton sectors” of Uzbekistan and Turkmenistan, and thus instructs their suppliers to not source from there. In addition, they claim no knowledge that their products

contain cotton from either country, while acknowledging that this cannot be said with absolute certainty.

However, Columbia refers to the “Responsible Sourcing Network’s Cotton Pledge”, a public commitment signed by 331 brands and retailers not to knowingly source Uzbek cotton produced with child or adult forced labour. The Cotton Campaign, a coalition of NGOs, trade unions, and industry representatives, which hosted the pledge, formally ended its call for the boycott following the findings of Uzbek Forum for Human Rights, that there was no longer systemic, widespread state-imposed forced labour during the 2021 harvest.⁸⁹ This indicates that Columbia has not adequately evaluated and updated its policy in relation to Uzbek Cotton since then.

A number of other brands surveyed including Amazon, Adidas, Inditex, C&A, H&M and Primark, were signatories to the same pledge but in contrast do not have a geographic ban on Uzbek cotton in the surveyed disclosures, which all date from after the lifting of the pledge. Some brands, including Tchibo, do have a ban on sourcing cotton from Uzbekistan although the company was not previously a signatory to the Pledge.⁹⁰ While the lifting of the “Cotton Pledge” indicated that state-imposed forced labour is no longer systematic and widespread, the issue has either been minimised or even disappeared in such disclosures. This suggests that some companies no longer consider forced labour or other rights violations to be a risk.

Indeed, Uzbek Forum’s report on the 2021 harvest, while acknowledging the progress in eliminating forced labour, simultaneously warned of remaining risks to the sustainability of government reforms, including severe constraints on civil society activities, independent NGOs and the absence of independent trade unions with the ability to monitor and report on rights violations.⁹¹ Subsequent harvest monitoring conducted by Uzbek Forum in 2022, 2023 and 2024 have shown that instances of forced labour persist, although it is no longer widespread or systematic. Nonetheless, the risk remains high due to persistent suppression of freedoms of association and speech and arbitrary application of labour laws, as well as systemic weaknesses in cotton production including continued government interference in the cotton sector.

Conclusions and Recommendations

CONCLUSIONS

Despite improvements in the Uzbek cotton sector, notably in the eradication of government-imposed forced labour, the political landscape and restricted civic space are still deeply problematic. Currently, Uzbekistan is far from an enabling environment in which workers can join or form a union of their own choosing, report or raise labour rights violations without fear of reprisal, let alone bargain collectively to improve labour conditions.

Brands who are sourcing indirectly from Uzbekistan, or who have a risk of being connected to Uzbekistan, would need to adapt their due diligence processes to address such a challenging context. This includes a risk-based assessment which reflects the situation, addresses specific risks and impacts, and provides remedy when adverse impacts occur. Brands and retailers also need to publicly account for their due diligence in such a way that stakeholders have sufficient confidence in it.

There is a growing amount of both voluntary and mandatory disclosure of non-financial sustainability information. Under the voluntary regime, the expectation has a clear grounding in the international soft law norms. In its slipstream several guidance frameworks emerged to help lead firms define their approaches, track their progress and showcase their efforts. The SASB, the Workforce Disclosure Initiative (WDI) and the GRI, are examples. These reporting frameworks focus largely on companies' plans, policies and processes regarding human rights in their supply chains and have been equally integrated into the mandatory disclosures resulting from the NFRD. In addition, companies subject to the German LkSG have to produce an additional yearly report, but most of the companies analysed for this report, with the exception of five, have postponed this until enforcement of the provision from 2025.

These reports contain a vast amount of information on a range of topics. The specific risks in Uzbekistan that companies list include workers being unable to join or form a union of their own choosing and engage in collective bargaining, wages, child labour or forced labour, and are mentioned in virtually all sustainability disclosures. However, almost all companies analysed indicate these risks at the level of policy, or global risks. The risks are often addressed by adopting blanket policy bans or a zero-tolerance policy on forced labour and/or by simply not doing business in Uzbekistan all together. When it comes to the implementation of policy, the group of brands disclosing meaningful efforts becomes already more limited, and actual results are sparse. Only a limited number of brands acknowledge either sourcing from Uzbekistan or the possibility of being linked to Uzbek cotton through indirect business relationships.

As such, these disclosures on their own are not sufficient to provide the information stakeholders would seek under either a voluntary or a mandatory due diligence regime. There is limited information, beyond policy, on actual approaches on how to deal with risks associated with Uzbek cotton. Despite their volume, the disclosures tell us little or nothing about actual efforts to identify, prevent, mitigate and remedy and whether those policies improve outcomes, especially at workplace level. Instead, these reports are highly selective, high-level and mainly emphasise the positive. What is missing is more granular evidence of corporate knowledge of their supply chain, including how and where their cotton is produced.

Engagement with workers, farmers and civil society on the ground is crucial to fill that knowledge gap and ensure the contextual information necessary to adequately assess risk. Given the limitations of certification schemes to reliably identify, prevent, mitigate and remedy rights risks, brands and retailers should consider entering into supplementary sourcing agreements that include enforceable worker co-governed mechanisms that would enhance human rights due diligence. For these to be successful, the government of Uzbekistan must uphold its commitments to democratic reforms and enable an environment that fosters such initiatives.

RECOMMENDATIONS

Recommendations to the Uzbek Government:

- Ensure and demonstrate full compliance with ILO Conventions ratified by the Uzbek government and in particular ILO Conventions No. 87 on the right to freedom of association and No. 98 on the right to collective bargaining.
- Simplify the NGO registration process to create an enabling environment for independent monitoring by civil society actors that allows companies sourcing from Uzbekistan to verify that no labour rights violations are occurring in their supply chains.
- Ensure the ability of civil society, journalists and bloggers to report freely on human rights issues without fear of reprisal to encourage confidence among brands and retailers seeking to source from Uzbekistan.
- Develop a more equitable environment for cotton farmers to participate in a market-based agricultural sector by eradicating systemic weaknesses in the production system such as unfair competitive advantages for cotton companies.
- Empower farmers through security of tenure and freedom of association to organise and bargain collectively both in terms of business as well as at policy level.
- Rebuild Uzbekistan's reputation as a global cotton producer by implementing extra measures that reduce the risk of non-compliance of brands and retailers with supply chain legislation, for example by pro-actively supporting worker-led co-governance models.

Recommendations to garment and textile companies:

- Prioritise traceability efforts for cotton when sourcing directly from Uzbekistan.
- Prioritise traceability efforts for cotton when there is a risk of indirectly sourcing from Uzbekistan, for example by direct sourcing from Turkey.
- Make the result of the mapping exercise transparent, by publicly disclosing the full name of the facility, location of the site, parent company, products made, and number of workers.⁹²
- Ensure communication on human rights due diligence gives affected stakeholders full confidence in the underlying due diligence efforts. This may mean going beyond the formats proposed by current non-financial reporting formats in the context of the Uzbek textile sector.
- Improve sustainability disclosure by equally focussing on outcomes and results.
- Ensure an effective human rights-based approach to due diligence that includes a co-governance model that brings together brands, suppliers, and trusted labour partners.
- Partner with experts in the labour rights sector in Uzbekistan, including civil society actors, to develop mechanisms for labour rights protection that can help mitigate risks.

Recommendations to the German Government:

- Strengthen the focus on Responsible Business Conduct within the trade and economic relationship with Uzbekistan.
- Quickly transpose the Corporate Sustainable Due Diligence Directive, while not regressing provisions where the current Supply Chain Act is stronger, namely with regard to the type and size of companies covered and additional communication requirements.
- Promote results-oriented outcome indicators when developing sector specific sustainability disclosure standards for the textile and garment sector.
- Improve supply chain traceability by encouraging voluntary disclosures by companies and making supply chain disclosure mandatory.
- Advocate for amending the EU Custom Code to allow for Freedom of Information Requests.
- Partner with labour and civil society organisations while assessing sourcing from Uzbekistan to build capacity on labour rights and strengthen freedom of association and collective bargaining protections for Uzbek farmers and workers to ensure compliance with German companies' obligations to respect rights.

Recommendations to certification schemes active in Uzbekistan:

- Consult with independent civil society organizations about the development and implementation programmes in Uzbekistan.
- Prior to licensing or certification in Uzbekistan, conduct comprehensive due diligence, including a risk analysis and assessment of the enabling environment for labour rights. Ensure that workers' rights to freedom of association and collective bargaining are protected all year round and that there is no forced labour used in the harvest of cotton.
- Leverage influence in Uzbekistan to advocate for broader reforms to enable civil society organizations to formally conduct monitoring activities and achieve an enabling environment for labour rights.

Recommendations to Development Banks:

- Ensure any transfers of land for commercial use in agribusiness projects, in particular so-called "voluntary" land lease terminations, were obtained through free, prior and informed consent from farmers and lease-holders.
- Verify independently the "voluntariness" of any land transfers from farmers to cotton and/or other agricultural enterprises.
- Conduct meaningful stakeholder engagement with project affected parties and civil society organisations to identify, prevent and mitigate human rights risks prior to loan approvals.
- Urge the Uzbek government to desist from interference in the cotton sector, in particular with regard to pricing, contracts and the obligation of government officials to fulfill crop production forecasts.
- Urge the Uzbek government to empower farmers by eliminating all remaining factors that contribute to their exploitation, including the system of forced crop placement and abuse of power by officials in the land distribution process.
- Urge the Uzbek government to create an enabling environment for the establishment of an independent farmers association that can represent their interests and defend their rights.

Annex I

Table 1.1: Availability of company reports under LkSG and other sustainability reports

NAME OF COMPANY	SUBJECT TO LKSG	HAS A REPORT UNDER LKSG	HAS A GENERAL SUSTAINABILITY REPORT
Adidas	YES	YES ⁹³	YES ⁹⁴
Adler Modemärkte	YES	NO	NO
Ahlers AG	PROBABLY NOT	NO	NO
Aldi Nord	YES	NO	YES ⁹⁵
Aldi Süd	YES	NO	YES ⁹⁶
Aleksandra Viktor	PROBABLY NOT	NO	NO
Amazon	YES	NO	YES ⁹⁷
Berkemann GmbH	PROBABLY NOT	NO	NO
Bimeco	PROBABLY NOT	NO	NO
Breuninger	YES	NO	NO
C&A	YES	NO	YES ⁹⁸
Carl Gross	PROBABLY NOT	NO	NO
Columbia Sportswear Company	UNCLEAR	NO	YES ⁹⁹
Decathlon	YES	NO	YES ¹⁰⁰
Deichmann	YES	NO	NO
Deuter (deuter Sport GmbH)	YES	NO	YES ¹⁰¹
Edeka	YES	NO	YES ¹⁰²
Engbers (Engbers GmbH & Co. KG)	YES	NO	NO
Engelbert & Strauss (Engelbert Strauss GmbH & Co. KG)	YES	NO	YES ¹⁰³
Engelhorn (engelhorn sports GmbH)	YES	NO	YES ¹⁰⁴
Ernsting's Family	YES	NO	NO
Esprit (Esprit Retail BV & Co. KG)	YES	NO	NO
Falke	PROBABLY NOT	NO	NO
Ferdinand Dameris GmbH & Co	PROBABLY NOT	NO	NO
Galeria Karstadt Kaufhof	YES	NO	NO
Gerry Weber (Gerry Weber Retail GmbH)	YES	NO	NO
Görgens (G+C Dienstleistungs GmbH)	YES	NO	NO
H&M (H&M Hennes & Mauritz GBC AB)	YES	NO	YES ¹⁰⁵
Hallhuber (Hallhuber GmbH)	YES	NO	NO
Hirmer (Hirmer GmbH & Co. KG)	YES	NO	NO
Hugo Boss AG	YES	NO	YES ¹⁰⁶

NAME OF COMPANY	SUBJECT TO LKSG	HAS A REPORT UNDER LKSG	HAS A GENERAL SUSTAINABILITY REPORT
Hunkemöller (Hunkemöller Deutschland B.V. & Co. KG)	YES	NO	YES ¹⁰⁷
Inditex (Industria de Diseno Textil S.A.)	YES	NO	YES ¹⁰⁸
Jeans Fritz	YES	NO	NO
Kaufland	YES	NO	YES ¹⁰⁹
Kik	YES	YES ¹¹⁰	YES ¹¹¹
Klingel (K-Mail Order GmbH & Co. KG)	YES	NO	NO
Langheinrich	PROBABLY NOT	NO	NO
LC Waikiki	UNCLEAR	NO	YES ¹¹²
Lidl	YES	NO	YES ¹¹³
Marina Rinaldi/ Max Mara Fashion Group	PROBABLY NOT	NO	NO
Metro (Metro Deutschland GmbH)	YES	NO	YES ¹¹⁴
Nike Inc	UNCLEAR	NO	YES ¹¹⁵
Nina von C	PROBABLY NOT	NO	NO
Orsay (Orsay GmbH)	YES	NO	NO
Ortovox (Ortovox Sportartikel GmbH)	YES	NO	YES ¹¹⁶
Otto Group (Otto GmbH)	YES	YES ¹¹⁷	YES ¹¹⁸
P&C (Fashion ID GmbH & Co. KG)	YES	NO	NO
Primark	YES	NO	YES ¹¹⁹
Puma (Puma Europe GmbH)	YES	NO	YES ¹²⁰
Rewe Group	YES	NO	YES ¹²¹
S. Oliver	PROBABLY NOT	NO	YES ¹²²
Schwarz Gruppe	YES	NO	YES ¹²³
Sinn (SiNN GmbH)	YES	NO	NO
Takko (Takko Fashion GmbH)	YES	YES ¹²⁴	YES ¹²⁵
Tchibo (Tchibo GmbH)	YES	NO	YES ¹²⁶
Teamdress	PROBABLY NOT	NO	YES ¹²⁷
The KaDeWe Group	YES	NO	NO
TJX (TJX Deutschland Ltd. & Co. KG)	YES	NO	YES ¹²⁸
Tom Tailor	YES	NO	YES ¹²⁹
Triumph Group	PROBABLY NOT	NO	YES ¹³⁰
Vassen	PROBABLY NOT	NO	NO
Woolworth (Woolworth GmbH)	YES	NO	NO
YELLAMARIS	YES	NO	NO
ZALANDO	YES	YES ¹³¹	YES ¹³²

Endnotes

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- 84 In addition, they will have to prepare and publish sustainability reports using the European Single Electronic Format (ESEF/ XHTML), data tags and advanced databases.
- 85 Assurance is the opinion of an independent expert on the accuracy and reliability of information or data. Under the CSRD, assurance will be mandatory. The CSRD states that limited assurance of sustainability disclosures will be expected within three years of implementation (starting 2026) with reasonable assurance within 6 years of implementation (starting 2028).
- 86 Cut, Make, and Trim production is where an apparel factory takes a brand’s designs and produces them following three stages. “Cut”, where the material is cut to the brand’s pattern, and made ready to sew, “Make”, where the garments are sewn together and created, and “Trim”, where the garments are finished, any threads and small imperfections are removed and final quality control and packing occurs. For the increased disclosure, see the Transparency Pledge: <https://transparencypledge.org/>
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