



# The Cotton Campaign Framework

for Responsible Sourcing of Yarn, Garments, Textiles and other Cotton Products from Uzbekistan

## Introduction

Since launching an ambitious reform program in 2017, Uzbekistan has worked to end state-imposed child and forced labor in cotton production and to develop a vertically integrated textile industry capable of meeting international labor standards.

Supplier textile companies (known as “clusters”) control all aspects of production, from cotton growing and harvesting, through to various stages of value-added processing, up to manufacturing of finished goods. This offers buyers unprecedented opportunities for full **visibility and traceability of cotton supply chains**, down to the raw material level.

Uzbekistan seeks to establish itself in the global market, which provides a unique chance for international brands, local suppliers, and labor to work together to set high standards for the emerging industry.

### As brands begin sourcing from Uzbekistan, they must do so responsibly. What does this mean?

Brands must exercise human rights due diligence in all aspects of their interaction with the Uzbek textile industry, from evaluating its commercial attractiveness to establishing and maintaining commercial relationships with Uzbek clusters.

In accordance with the UN Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, and corporate due diligence and liability laws and legislative proposals in the U.S., Europe, and Australia, brands must ensure they:

- › **Identify and assess actual or potential adverse human rights impacts** that the brand may cause, contribute to, or be directly linked to. *Is the risk assessment methodology tailored to the Uzbek context?*
- › **Take appropriate action** and integrate findings from impact assessments across relevant company processes. *Does the company have expertise about the labor context in Uzbekistan and how best to use and increase its leverage to ensure effective remedy?*
- › **Track the effectiveness of measures** to assess whether they are working. *Does the company have the capacity to conduct on-site and ongoing monitoring at the Uzbek cluster(s) it sources from?*
- › **Communicate with stakeholders** about how impacts are being addressed and show stakeholders that there are adequate policies and processes in place. *Does the company have a strategy for meaningful engagement with the farmers and workers involved in the production process at the Uzbek cluster(s) it sources from?*

### The Cotton Campaign Framework for Responsible Sourcing

The vertical integration of the Uzbek supply chain requires brands to conduct human rights due diligence to **identify, prevent, mitigate, and account for** adverse human rights impacts at all levels of production, including the cotton farms controlled by the supplier clusters, their spinners, fabric mills, and cut-make-trim units.

Achieving this as an individual company, in an industry where significant risks of forced labor and exploitative working conditions remain (see page 2), can be challenging. For this reason, the Cotton Campaign developed a **Framework for Responsible Sourcing**, for brands, clusters, and labor to work collaboratively and at scale, to establish and maintain strong standards in the emerging Uzbek textile industry.

The Cotton Campaign Framework consists of two interlocking Responsible Sourcing Agreements (RSAs) – a Brand RSA and a Cluster RSA – that work together to create a pool of responsible producers and a pool of responsible buyers that have all agreed to strong labor standards, independent monitoring, capacity building, and a grievance mechanism.

The RSAs establish the core elements of a robust program for responsible sourcing, with **co-governance by buyers, labor, and clusters**. The scope of the program is to develop and operate credible mechanisms for **traceability, monitoring and accountability**, at all levels of the Uzbek textile value chain.

### Key Elements

- › Traceability of the cotton from the field through to yarn, textile, and finished goods
- › Supply chain transparency and tracing systems – such as the *YESS: Yarn Ethically and Sustainably Sourced*<sup>1</sup> initiative to ensure the participant clusters only use cotton that originates from farms covered by the program for responsible sourcing
- › It provides a level playing field by creating a pool of responsible buyers and a pool of responsible suppliers
- › A co-governed Board with equal representation of brands, labor, and textile clusters
- › Implementation of ILO standards at all levels of the textile supply chain
- › Independent grievance mechanism and access to effective remedy
- › Independent and ongoing monitoring
- › Accountability at both supplier & buyer levels
- › Capacity building and contributing to an enabling environment for labor rights, including freedom of association
- › Signatories contribute to promoting strong industry standards and a collaborative approach

1. Developed by Responsible Sourcing Network (RSN). YESS trains and assesses that spinners and textile mills are only using cotton/cotton yarn that mitigate risk of forced labor in cotton production <https://www.sourcingnetwork.org/yess>. RSN is a Steering Committee member of the Cotton Campaign.

# Opportunities and challenges for sourcing from Uzbekistan

The political commitment to eliminate forced labor and reform the cotton sector is genuine and improvements have been significant and meaningful. While Uzbekistan has successfully eliminated systemic forced labor, significant human rights risks remain. The Cotton Campaign Responsible Sourcing Framework is designed to leverage the unique opportunity in Uzbekistan while mitigating ongoing human rights risks and promoting strong standards across the industry.

## Opportunity for full traceability and transparency of the supply chain



- ▶ In 2020, Uzbekistan stopped exporting raw cotton to complete the shift to value-added processing in the country
- ▶ Integrated cotton textile clusters control all aspects of production: cotton growing and harvesting (either directly or by contract with local farmers) and ginning, spinning, fabric production and textile manufacturing operations
- ▶ Some clusters are innovating, investing in state-of-the-art technology, upskilling, and working to meet international standards



## Harvest monitoring findings

Uzbek Forum for Human Rights - Cotton Campaign's frontline partner - has conducted independent monitoring every year since 2010.

### 2021 harvest

- ▶ Systematic state-imposed forced labor is no longer used in the cotton harvest
- ▶ In some districts, government officials remained involved in organizing the recruitment of cotton pickers, creating risks for coercion and recruitment fees
- ▶ Cotton pickers continue to perceive a threat of penalty for refusing to pick cotton
- ▶ Documented cases of children accompanying parents to pick cotton
- ▶ Unequal relationships between farmers and the clusters they produce cotton for. Farmers are often requested to sign blank contracts
- ▶ There are no mechanisms to prevent, identify and address forced labor or labor exploitation at textile clusters

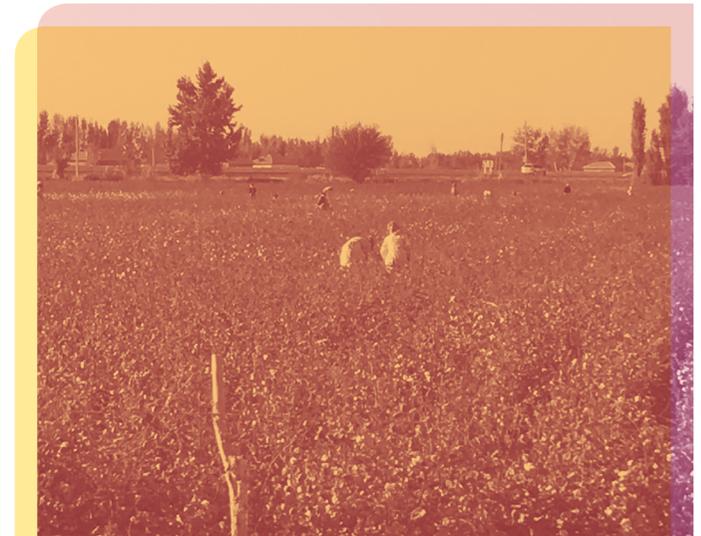
### 2020 harvest

- ▶ For the first time in 10 years, Uzbek Forum for Human Rights did not document any cases of forced labor in some of the districts where it monitored
- ▶ ILO Third-Party Monitoring estimated approximately 80,000 people worked in conditions of forced labor



## Civic space restrictions

- ▶ National reforms towards an enabling environment for labor rights lag far behind economic reforms in the sector, despite Uzbekistan having ratified relevant ILO conventions
- ▶ There are no independent trade unions, democratically-elected, or representative workers' organizations, or farmers' organizations
- ▶ All union activity in the country continues to be dominated by the Government-aligned Federation of Trade Unions of Uzbekistan (FTUU)
- ▶ Weak enabling environment: constraints on freedom of association, assembly and expression
- ▶ Independent labor and human rights NGOs face roadblocks to register and operate freely
- ▶ The majority of cotton is grown through the contract system (i.e., on farms that are not under direct control by the cluster), creating risks for unfair recruitment, coercion, and exploitative practices



# Structure of the Cotton Campaign Framework for Responsible Sourcing

The Framework for Responsible Sourcing reflects the Cotton Campaign's ongoing engagement with stakeholders, including labor and human rights organizations, the Government of Uzbekistan, newly founded Uzbek textile clusters working to align their workplace practices to international labor standards, and global brands and retailers that are interested in sourcing from Uzbekistan and require strong assurances that the reforms to eradicate forced labor are irreversible.

The Framework for Responsible Sourcing consists of:

- ▶ A brand-labor Responsible Sourcing Agreement (Brand RSA)
- ▶ A cluster-labor Responsible Sourcing Agreement (Cluster RSA)

The RSAs are based on international best practice to safeguard workers' rights and ensure compliance with mandatory human rights due diligence and other supply chain obligations, and are tailored to the context of Uzbekistan.

## Cluster responsible sourcing agreement (Cluster RSA)

Agreement between cluster and labor party, that establishes a supplier cluster commitment to:

- ▶ Implement international labor standards at all levels of production
- ▶ Protect the workers' rights to Freedom of Association and collective bargaining
- ▶ Protect the workers' right to file complaints through the independent grievance mechanism overseen by the RSA Monitoring Body
- ▶ Pay workers, including seasonal cotton pickers, at least the minimum wage required by the national labor law
- ▶ Allow training & capacity building of employers, farmers, and workers on international labor standards

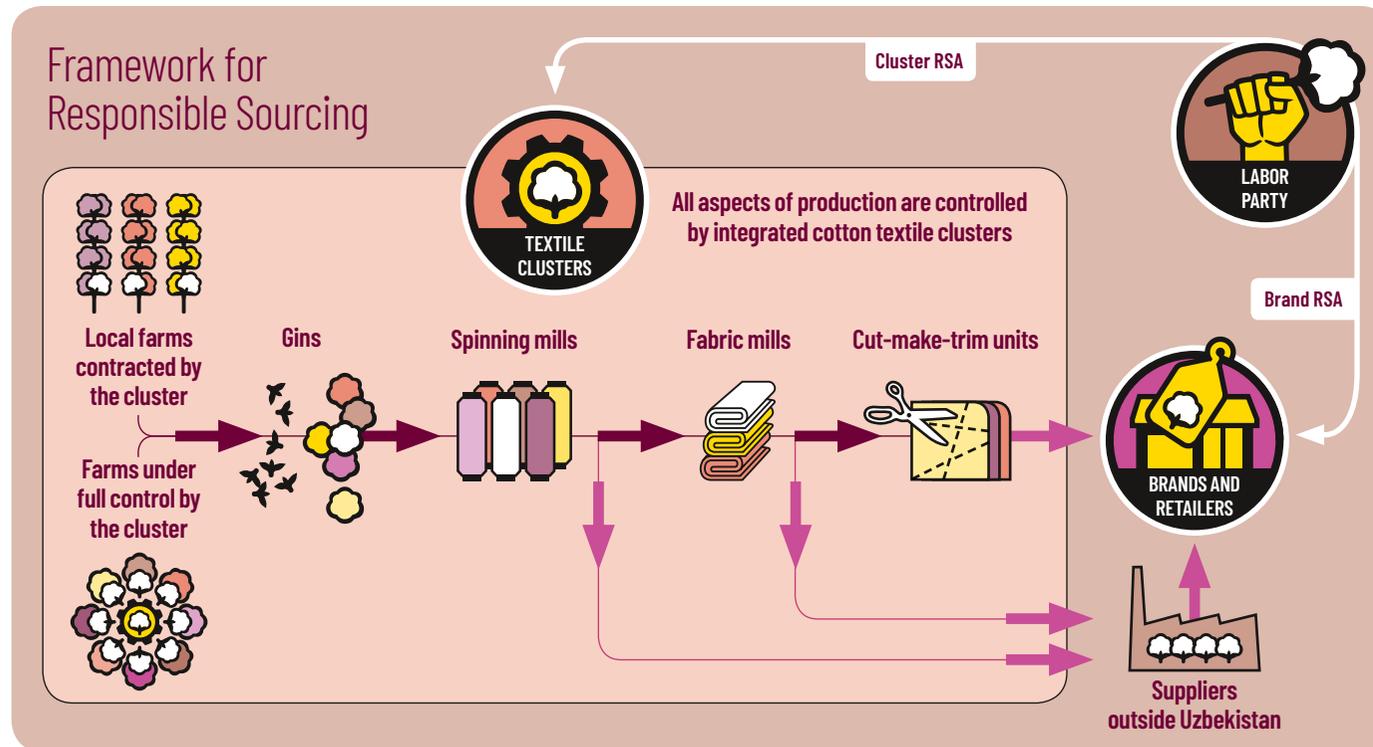
## Brand responsible sourcing agreement (Brand RSA)

Agreement between brand/retailer and labor party, that establishes a buyer commitment to:

- ▶ Source cotton yarn and cotton products only from participating clusters
- ▶ Work constructively with the labor party & supplier clusters to ensure full implementation of international labor standards at all levels of production
- ▶ Establish and maintain fair purchasing practices
- ▶ Reduce orders in case of supplier cluster non-compliance with international labor standards

### The Brand RSA

- ▶ Mandates an Independent Monitoring Body to monitor and coordinate the implementation of the Cluster and Brand RSAs
- ▶ Establishes a two-step approach to the resolution of disputes arising under the agreement: i) a resolution process at the Board level and, only if no resolution can be reached, ii) either party may resort to a binding arbitration process



All global brands, retailers, and suppliers looking to source yarn, fabric, and finished cotton products from Uzbekistan are welcome to contact the Cotton Campaign to discuss the possibility of negotiating and operationalizing the Responsible Sourcing Agreements (RSAs).

# How does the Cotton Campaign Framework benefit different groups of stakeholders?

## Brands

The RSA Framework lays the foundation for functioning and credible mechanisms for traceability, monitoring and accountability, essential to meet human rights due diligence requirements. It offers buyers the opportunity to work collaboratively with the emerging Uzbek textile industry to establish and maintain strong practices and make Uzbekistan a key sourcing country for sustainable cotton and textiles.

The vertical integration of the supply chain in Uzbekistan provides a real opportunity for traceability and transparency. However, a lack of meaningful Freedom of Association among cotton workers and farmers means that sourcing Uzbek yarn and cotton products may cause or contribute to adverse human rights impacts.

The RSA model is designed to identify and address these impacts, through mechanisms to prevent, mitigate and remediate labor abuses.

### The RSA Framework **guarantees brands**

- › Full traceability from the cotton field to the finished product
- › Assurances that risks of forced and exploitative labor can be identified, prevented, and mitigated at all levels of their supply chain in Uzbekistan
- › Access to a pool of responsible suppliers
- › Independent and ongoing monitoring at the clusters they source from
- › Opportunity to help set and maintain high standards for the industry
- › Co-governed platform to remedy abuse through consultation with affected stakeholders
- › Co-governed platform to resolve disputes and keep commercial relationships functioning

## Uzbek textile clusters

In 2017, the Government of Uzbekistan embarked on a major economic reform program to privatize the cotton industry and expand the manufacturing sector.

This transformation process has primarily been led by reforms to integrate the supply chain, without an emphasis on establishing adequate mechanisms to prevent, identify and address labor abuses at all levels of production.

The RSA framework provides clusters with the tools to align their workplace policies and practices to international labor standards and attract global buyers.

Further, the RSA framework recognizes that ensuring decent working conditions is the joint responsibility of all supply chain actors. Hence, the costs for implementing the RSA are divided among buyers and suppliers, in contrast to certification and auditing models, where the suppliers are expected to pay the full costs of social audits.

### The RSA Framework **guarantees textile clusters**

- › Access to a pool of responsible global brands, retailers, and suppliers that are looking to meet their human rights due diligence requirements
- › The opportunity to work with brands and develop a responsible business model, based on fair purchasing practices
- › Training and capacity building on international labor standards and industrial relations
- › Independent, credible, and ongoing monitoring of the implementation of international labor standards

## Workers in the Uzbek value chain

Cotton workers, farmers, and the broader civil society must be able to report transparently and advocate for decent working conditions, both individually and collectively.

However, in Uzbekistan, cotton workers have no independent organisations or trade unions to voice concerns and defend their rights. There are constraints on Freedom of Association and expression, with many independent labor and human rights NGOs facing difficulties to register in the country and monitor the human rights situation.

Through the RSA Framework, global brands, local suppliers, and the Cotton Campaign have a unique opportunity to work together and open the space for workers to create independent organizations, participate in labor rights training, and access grievance mechanisms and remedy.

### The RSA Framework **guarantees workers**

- › Access to grievance and effective remedy
- › Protection against retaliation
- › Training and capacity building on labor rights and Freedom of Association
- › Fair wages
- › Independent monitoring of their workplaces

# Frequently asked questions

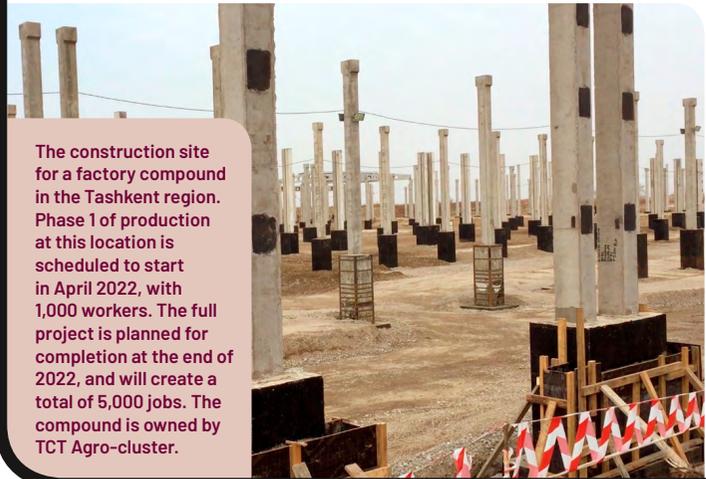
## **What is the size of the textile industry in Uzbekistan?**

Uzbekistan's textile sector is rapidly expanding. In 2020, Uzbekistan completed the shift from exporting raw cotton to value-added processing in the country.

As of 2021, Uzbekistan has 122 textile clusters, which control all aspects of the textile value chain from cotton growing, harvesting, and ginning, through to production of value-added goods. In contrast to other garment producing countries, the textile sector in Uzbekistan is not concentrated in one region. The clusters operate across all regions of the country. On average, there is one cluster in each district where cotton is grown.

The clusters control the cotton growing and harvesting either directly or by contract with local farmers. At the farms they control directly, many clusters are making investments to shift from manual harvesting of the cotton to machine harvesting.

Manufacturing is also expanding, with new facilities for spinning, dyeing, knitting, and sewing being built across different regions. This provides employment opportunities for workers in the rural areas.



The construction site for a factory compound in the Tashkent region. Phase 1 of production at this location is scheduled to start in April 2022, with 1,000 workers. The full project is planned for completion at the end of 2022, and will create a total of 5,000 jobs. The compound is owned by TCT Agro-cluster.

Uztekstilprom, the Uzbek Textile Association, informed the Cotton Campaign that as of 2021, the textile industry employs approximately 400,000 workers (excluding the cotton pickers), an increase of 50,000 from 2020. Some clusters are investing in training, upskilling, housing, transportation, and other benefits for workers.

## **What type of products are produced in Uzbekistan?**

Uzbekistan produces both yarn and finished goods. The latter include ready-made garments, home textiles, and knitwear.

Some clusters produce finished products using a combination of cotton and other materials, for example silk or wool. These materials are also produced in the country, within a cluster system similar to cotton production, which provides a unique opportunity for visibility into the supply chains of other raw materials, in addition to cotton<sup>2</sup>.

Further, Uzbekistan offers denim brands the opportunity for horizontal traceability. Bukhara Textile Cluster (BCT) produces denim products using the natural dye from Indigofera plants, which the cluster grows, together with cotton, at the farms it controls.

## **What is the funding structure of the Brand and Cluster Responsible Sourcing Agreements (RSAs)?**

In the first phase, the implementation of the RSAs will be funded through a combination of brand and cluster fees, and resources provided by donor agencies. A funding structure will be developed in the negotiation process between brands, labor, and clusters, with the understanding that it will consider all actors of the supply chain.

## **Which clusters will be covered by the RSA?**

The RSA model is open to all clusters that recognize the importance of industrial relations between employers and independent worker representatives for the long-term success of the industry, and are working to align their workplace practices to international labor standards.

2. In 2021, Uzbek Forum for Human Rights began monitoring the human rights situation in the silk industry. Subject to negotiation, the scope of the RSA program can potentially be extended to cover the silk supply chain.

The Cotton Campaign envisions a phased approach for the implementation of the RSA, whereby in Phase 1, a pilot for responsible sourcing will be conducted with a small number of brands and clusters. As the implementation of the Brand & Cluster RSAs progresses and a structure for achieving the core goals of the Framework for Responsible Sourcing is established, the RSA Board may consider developing criteria for how clusters become covered by the RSA (e.g., by nomination of a buyer).

## **How does the RSA model differ from the social auditing model?**

The RSA is based on the key elements of effective human rights due diligence: a risk-based approach to identifying and addressing human rights impacts, meaningful engagement with affected stakeholders, access to effective remedy, and responsible sourcing practices.

There is increasing evidence that social audits are not fit for the purpose of identifying labor rights abuses at all levels of the supply chain, and in particular in environments with a high risk of forced labor. The Cotton Campaign discourages brands and retailers from using social audits as a risk-mitigation strategy.

In practice, the RSA model is different from social audits in that:

- ▶ It entails the establishment of a grievance mechanism that provides effective remedy at all levels of the supply chain, in accordance with the criteria for non-judicial grievance mechanisms established by the UNGPs: legitimacy, accessibility, predictability, equitability, transparency, rights-compatibility, and consultation with affected stakeholders
- ▶ It entails comprehensive, ongoing, and on-site monitoring of the implementation of international Labor Standards, as opposed to annual/bi-annual surveys conducted by auditors
- ▶ The funding model of the RSA considers all actors of the supply chain, as opposed to the audit model, where the suppliers are expected to pay the full costs of social audits

# The Cotton Campaign

Since 2007, the Cotton Campaign has been at the forefront of human rights advocacy to end state-imposed forced and child labor and promote decent work in the cotton industry of Uzbekistan. We are a coalition of international human and labor rights NGOs, brand and retail associations, responsible investor organizations, supply chain transparency groups, and academic partners.

In 2019, after more than a decade of independent reporting, accountability actions, and campaigning, we received an invitation from the Uzbek Government to advise on its reform agenda. We are closely monitoring the progress made to end systematic state-imposed forced labor, and we continue to advocate for broader reforms to empower civil society and protect Freedom of Association and expression.

The **Cotton Pledge** has been critical for the Cotton Campaign's work. The Pledge has been signed by over 300 brands and retailers, that committed to not source Uzbek cotton for the manufacturing of any of their products until systematic state-imposed forced labor in Uzbek cotton production is ended. While we have witnessed concrete and meaningful improvements in recent years, significant human rights risks remain attached to sourcing Uzbek cotton.

The Cotton Campaign Framework for Responsible Sourcing builds on the Pledge signatory companies' own human and labor rights commitments and legal obligations. Through its strong labor component, the Framework is able to provide assurances that human rights risks can be identified, prevented, and mitigated at all levels of the supply chain in Uzbekistan.



The Cotton Campaign is hosted by:



To discuss the possibility of negotiating and operationalizing the Responsible Sourcing Agreements, please contact:

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