

Addressing Modern Slavery in
Xinjiang Uyghur Autonomous Region
and Cotton Supply Chains

February 2021

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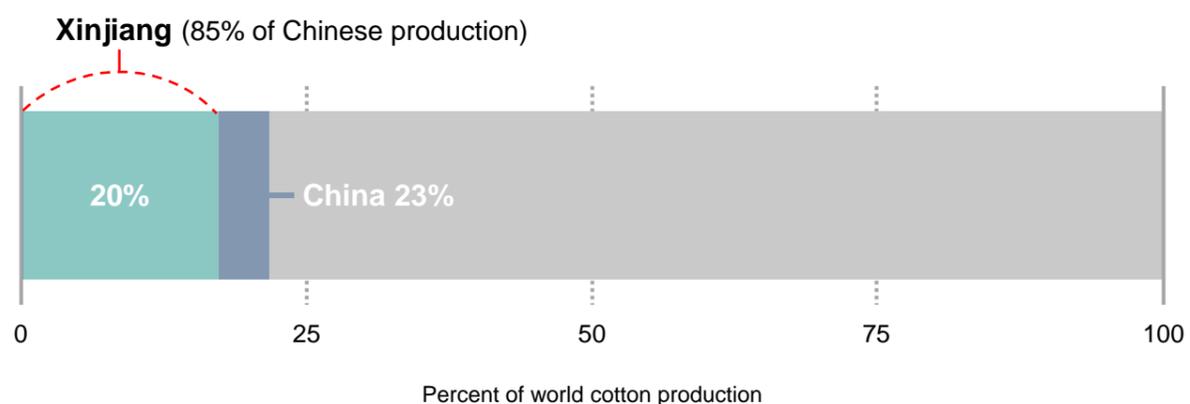
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Content

What is the issue?	2-5
The role of China	6
Xinjiang labour transfer programme	7
The legal perspective	8
Implications for global supply chains	9
How does this affect the apparel and textile industry?	10
Our response	11-14
What is the solution?	15
Recommendations	16
Appendix - Supplier declaration	17
Appendix – Cotton procurement policy	18

Most recently, new evidence from Chinese government documents and media reports shows that hundreds of thousands of ethnic minority labourers in Xinjiang are being forced to pick cotton by hand through a coercive state-mandated labour transfer and “poverty alleviation” scheme, with potentially drastic consequences for global supply chains. Xinjiang produces 85% of China’s cotton and 20% of the world’s cotton.

China and World Cotton Production, 2019

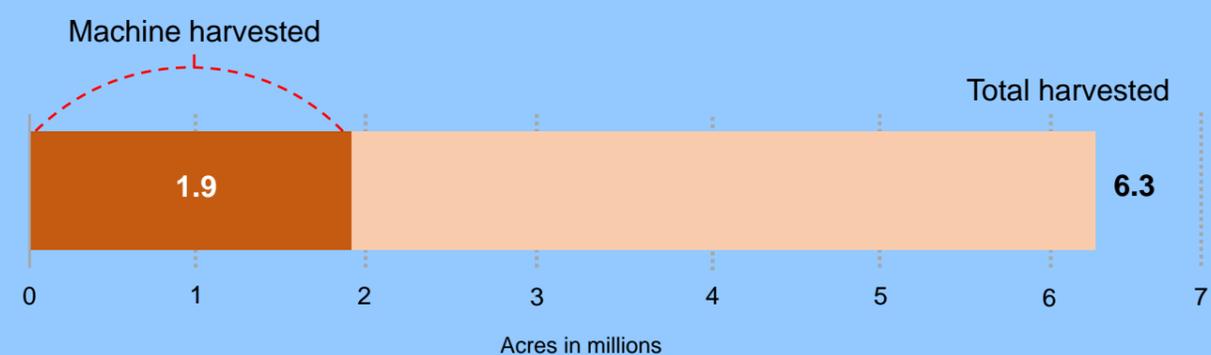


Source: CSIS

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Chinese cotton products, in turn, constitute an important basis for garment production in numerous other Asian countries. Previously, evidence for forced labour in Xinjiang pertained only to low-skilled manufacturing, including the production of textiles and apparel. This new evidence shows coercion specifically related to cotton picking.

Xinjiang Cotton Harvesting, 2019

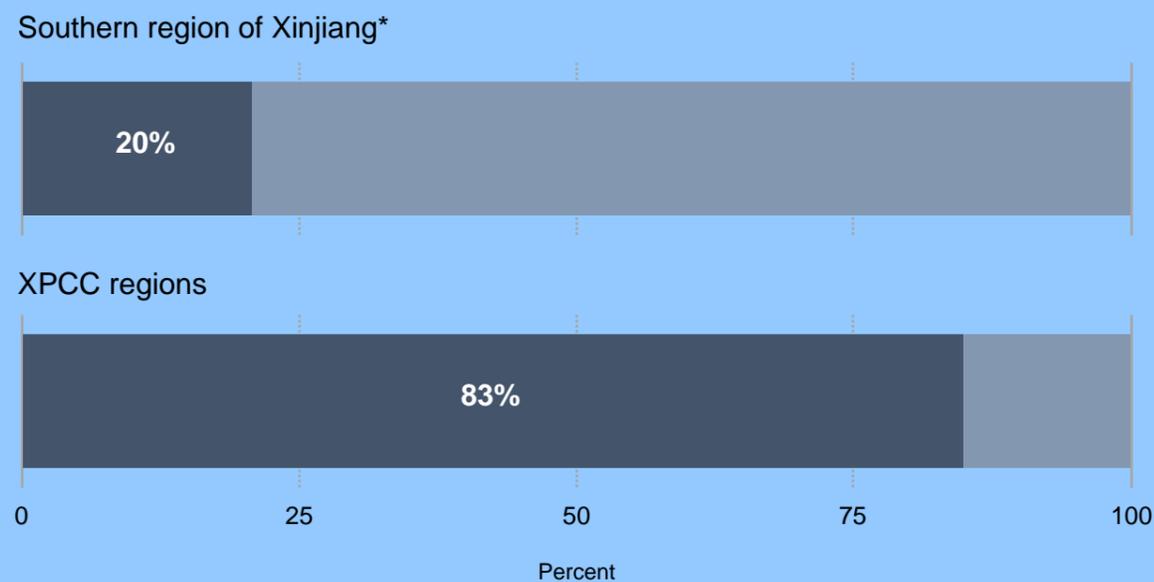


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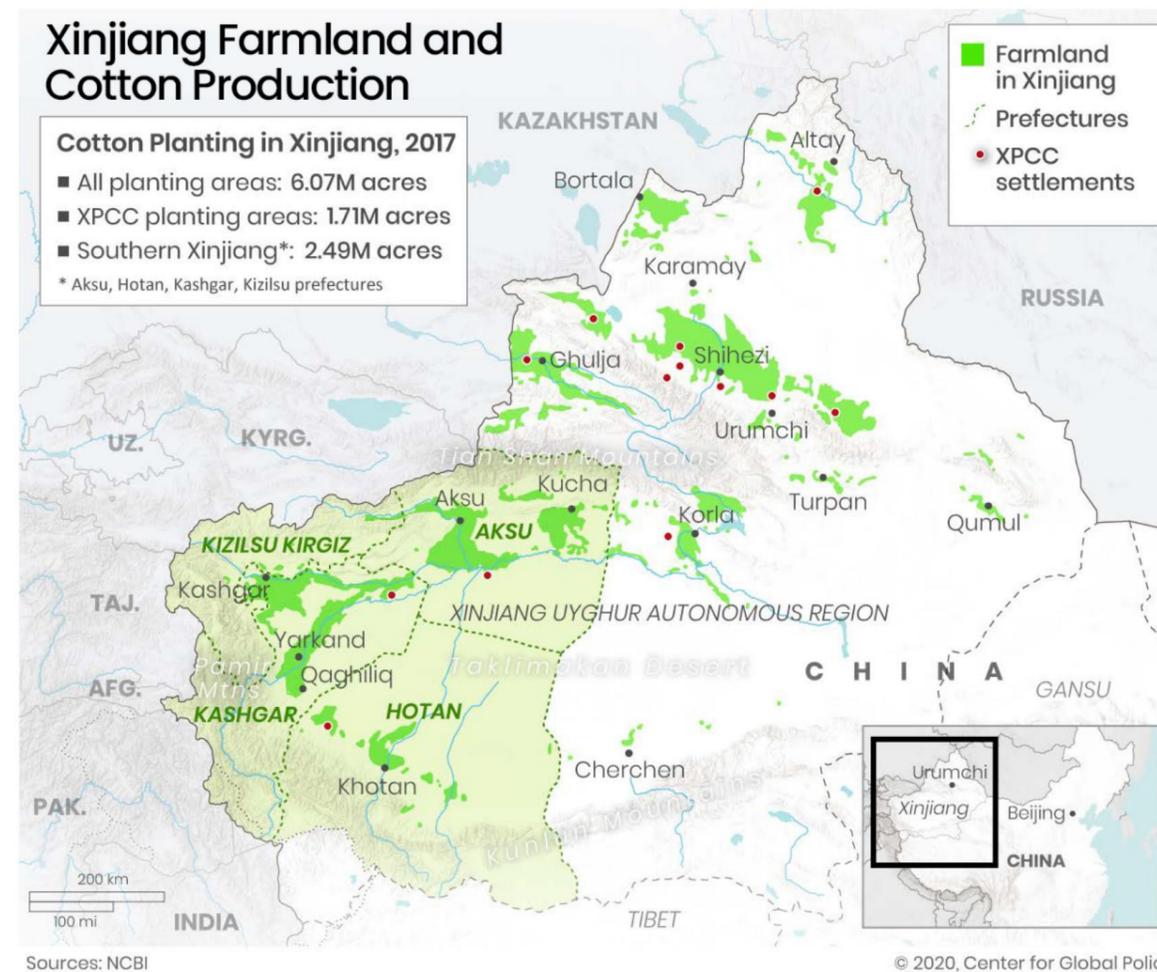
These findings have much wider implications, affecting all supply chains that involve Xinjiang cotton as a raw material. On Dec. 2, 2020, the United States placed a Withhold Release Order on cotton produced by the Xinjiang Production and Construction Corps. However, this entity only produces 33 percent of Xinjiang’s cotton and only 0.4 percent of its highest-quality long-staple cotton.

The new evidence shows that in 2018, three Uyghur regions alone mobilised at least 570,000 persons into cotton-picking operations through the government's coercive labour training and transfer scheme. Xinjiang's total labour transfer of ethnic minorities into cotton picking, likely exceeds that figure by several hundred thousand. Despite increased mechanisation, cotton picking in Xinjiang continues to rely strongly on manual labour. In 2019, about 70 percent of the region's cotton fields had to be picked by hand – especially the high-quality long-staple cotton predominantly grown in southern Xinjiang's Uyghur regions, where mechanised picking shares are low.

Machine Harvesting in Xinjiang, 2019



*Aksu, Hotan, Kashgar, Kizilsu prefectures



State policies have greatly increased the numbers of local ethnic minority pickers, reducing reliance on outside Han Chinese migrant labourers. The intensive two- to three-month period of cotton picking represents a strategic opportunity to boost rural incomes, and therefore plays a key role in achieving the state's poverty alleviation targets.

These targets are mainly achieved through coercive labour transfers. Cotton picking is gruelling and typically poorly paid work. Labour transfers involve coercive mobilisation through local work teams, transfers of pickers in tightly supervised groups, and intrusive on-site surveillance by government officials and (in at least some cases) police officers. Government supervision teams monitor pickers, checking that they have a "stable" state of mind, and administer political indoctrination sessions. Some regions put Uyghur children and elderly persons into centralised care while working-age adults are away on state-assigned cotton-picking work assignments.

While not directly related to the campaign of mass internment, these labour transfers can include persons who have been released from internment camps. The data related to these new findings provides strong evidence that the production of most of the Xinjiang's cotton involves a coercive, state-run program targeting ethnic minority groups.

The role of China

Chinese state media claims that participation in labour transfer programs is voluntary, and Chinese officials have denied any commercial use of forced labour from Xinjiang. However, Uyghur workers who have been able to leave China and speak out describe the constant fear of being sent back to a detention camp in Xinjiang or even a traditional prison while working at the factories.

In factories outside Xinjiang, there is evidence that their lives are far from free. Referred to as ‘surplus labour’ or ‘poverty-stricken labour’, Uyghur workers are often transported across China in special segregated trains, and in most cases are returned home by the same method after their contracts end a year or more later.

Multiple sources suggest that in factories across China, many Uyghur workers lead a harsh, segregated life under so-called ‘military-style management’. Outside work hours, they attend factory-organised Mandarin language classes, participate in ‘patriotic education’, and are prevented from practising their religion.

Every 50 Uyghur workers are assigned one government minder and are monitored by dedicated security personnel. They have little freedom of movement and live in carefully guarded dormitories, isolated from their families and children back in Xinjiang. There is also evidence that, at least in some factories, they are paid less than their Han counterparts, despite state media claims that they’re paid attractive wages.

The Chinese authorities and factory bosses manage Uyghur workers by ‘tracking’ them both physically and electronically. One provincial government document describes a central database, developed by Xinjiang’s Human Resources and Social Affairs Department and maintained by a team of 100 specialists, that records the medical, ideological and employment details of each labourer. The database incorporates information from social welfare cards that store workers’ personal details. It also extracts information from a WeChat group and an unnamed smartphone app that tracks the movements and activities of each worker.

Chinese companies and government officials also pride themselves on being able to alter their Uyghur workers’ ideological outlook and transform them into ‘modern’ citizens, who, they say, become ‘more physically attractive’ and learn to ‘take daily showers’. In some cases, local governments in Xinjiang send Chinese Communist Party (CCP) cadres to simultaneously surveil workers’ families back home in Xinjiang — a reminder to workers that any misbehaviour in the factory will have immediate consequences for their loved ones and further evidence that their participation in the program is far from voluntary.

A person with knowledge of a Uyghur labour transfer program in Fujian told Bitter Winter, a religious and human rights NGO, that the workers were all former ‘re-education camp’ detainees and were threatened with further detention if they disobeyed the government’s work assignments. A Uyghur person sent to work in Fujian also told the NGO that police regularly search their dormitories and check their phones for any religious content. If a Quran is found, the owner will be sent back to the ‘re-education camp’ for 3–5 years. The treatment of Uyghurs is in breach of China’s Constitution, which prohibits discrimination based on ethnicity or religious belief, as well as international law.

Xinjiang labour transfer programme

Data collected from Chinese state media and official government notices indicates that more than 80,000 Uyghur workers were transferred out of Xinjiang between 2017 and 2019. ASPI (Australian Strategic Policy Institute) has mapped the available data on these transfers. The larger the arrow in the figure below, the greater the number of people being transferred. Dotted lines represent known direct county-to-factory transfers. The diagram shouldn't be considered comprehensive but gives a sense of the scale and scope of the program.

The Chinese government's official data on labour transfer includes transfers from southern Xinjiang to northern Xinjiang, transfers from Xinjiang to other provinces, and transfers to local factories. Depending on the county, labourers sent outside Xinjiang count for anywhere between 10% to 50% of all Xinjiang transfers. In recent years, transfers from Xinjiang to other parts of China have increased steadily. In 2017, according to state media reports, 20,859 'rural surplus labourers' from Xinjiang were transferred to work in other provinces.

Based on ASPI's analysis of published data, an estimated 28,000 people were transferred for employment in 2018. In 2019, an estimated 32,000 people were transferred out of the region. Xinjiang authorities also claim to have repeatedly exceeded their labour transfer targets. The 2017 target was set at 20,000 and exceeded by 4%. In 2019, the target was set at 25,000 and reportedly exceeded by about 25%.

The legal perspective

The issue affecting the Uyghur minority has elements of regulatory environment, legal risks as well as reputational risks, and legal experts have said this may amount to crimes against humanity. Ongoing legal analysis by leading international lawyers and organisations such as Human Rights Watch, has resulted in a claim being filed in the international Criminal Court to determine if this can be defined as genocide.

Here in the UK, Barrister Geoffrey Nice is convening an independent tribunal to investigate whether the Chinese government's alleged human rights abuses against Uyghur Muslims are a part of genocide or crimes against humanity, and Dominic Raab has addressed concerns over the UK's complicity, by setting out measures designed to ensure no companies allow the use of forced labour from Xinjiang province in their supply chains. The proposals released by the foreign secretary could include fines if companies fail to demonstrate due diligence in their supply chains and include and possible sanctions on Chinese officials believed to be instrumental in the abuse.

In terms of reputational risk, the UK Parliament Business Select and Foreign Affairs Committees has opened enquiries where H&M, Boohoo, M&S, IKEA, VF, Nike, Adidas and others were called to submit evidence. In addition, there has been a submission by a legal centre and World Uyghur Congress to HMRC requesting suspension of imports of goods produced in part or in whole in the Uyghur Region under the UK 1897 Prisons Goods Act. Calls by MEPs have resulted in movement towards EU wide mandatory due diligence.

While foreign governments, businesses and civil society groups should identify opportunities to increase pressure on the Chinese government to end the use of Uyghur forced labour and extrajudicial detentions, pressure has been put on the government of China to ratify the International Labour Organization's (ILO) Convention on Forced Labour, 1930 (No. 29) and Protocol of 2014 to the Forced Labour Convention.

Consumers and consumer advocacy groups are demanding companies that manufacture in China conduct human rights due diligence on their supply chains in order to ensure that they uphold basic human rights and are not complicit in any coercive labour schemes.

The ILO lists 11 indicators of forced labour, with relevant indicators in the case of Uyghur workers that may include:

- being subjected to intimidation and threats, such as the threat of arbitrary detention, and being monitored by security personnel and digital surveillance tools
- being placed in a position of dependency and vulnerability, such as by threats to family members back in Xinjiang
- having freedom of movement restricted, such as by fenced-in factories and high-tech surveillance
- isolation, such as living in segregated dormitories and being transported in dedicated trains
- abusive working conditions, such as political indoctrination, police guard posts in factories, 'military-style' management, and a ban on religious practices
- excessive hours, such as after-work Mandarin language classes and political indoctrination sessions that are part of job assignments.

Implications for global supply chains

The rapid expansion of the nationwide system of Uyghur labour presents a new challenge for foreign companies operating in China. How do we secure the integrity of our supply chains and protect our brands from the reputational and legal risks of being associated with forced, discriminatory or abusive labour practices? Interwoven supply chains and the mixed nature of their workforces, which draw on both Han and Uyghur workers, make it particularly difficult for us to ensure that our products are not associated with forced labour. These labour transfer schemes also present a challenge to the reputation of Chinese brands overseas.

In all, ASPI's research has identified 82 foreign and Chinese companies potentially directly or indirectly benefiting from the use of Uyghur workers outside Xinjiang through abusive labour transfer programs. Some brands are linked with multiple factories. The data is based on supplier lists, media reports, and the factories' claimed suppliers. A further 54 companies are implicated in what could be forced labour schemes within Xinjiang itself — some of which overlap with the 82 companies linked to forced Uyghur labour outside of Xinjiang.

There are over 35 documented labour transfer programs under 'Xinjiang Aid' since 2017.

They operate by offering:

- transfers to factories in central and eastern provinces of China
- transfers to purpose-built factories within Xinjiang
- the number of people moved to the factories
- the products they make
- the companies the factories claim they supply

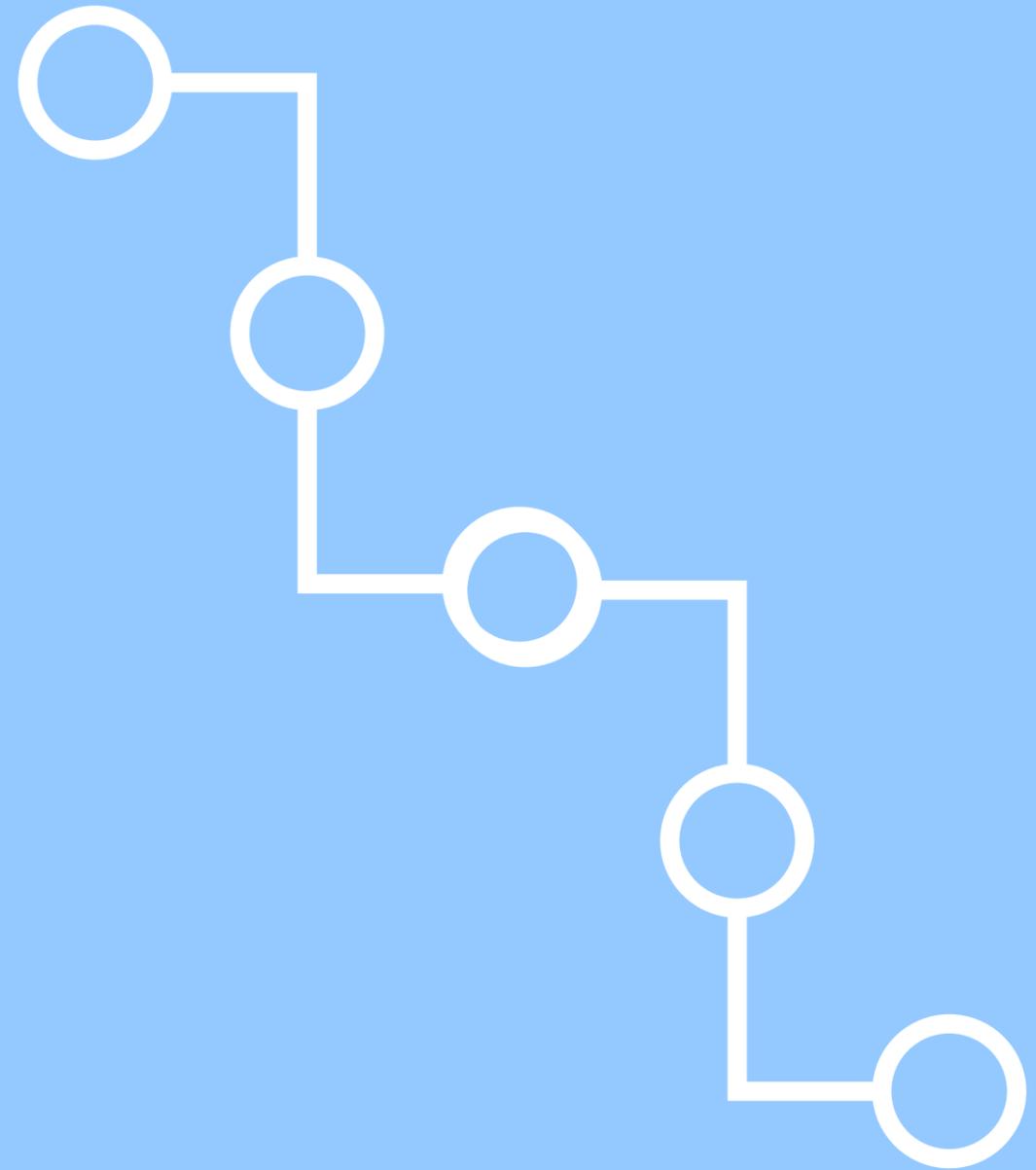
In the past three years, the 're-education camp' system in Xinjiang has drawn international condemnation. Now the culture and ethos of 're-education' is being exported well beyond Xinjiang and married with practices that likely amount to forced labour.

Some workers employed through labour transfer schemes at factories across China are sourced directly from the 're-education camps' in Xinjiang. Ethnic minority workers from Xinjiang who are not known to be former detainees may also be forced to work under threat of detention, the intimidation of family members and a range of restrictions on their freedom. The tainted global supply chain that results from these practices means that it is now difficult to guarantee that products manufactured in China are free from forced labour. This situation poses new risks—reputational and legal—for companies and consumers purchasing goods from China, as products made in any part of the country, not just in Xinjiang, may have passed through the hands of forced labourers. This situation also creates new risks for investors in those companies—from private investors to wealth management funds—who may now find themselves indirectly linked to forced labour practices.

How does this affect the apparel and textile industry?

A coalition of more than 180 global human rights groups estimates around 84% of cotton production from China comes from the Uyghur Region and almost every major apparel brand and retailer selling cotton products is potentially implicated.

Fashion Revolution believes that calling on big brands to cut ties with Uyghur cotton is shining a light on the need for transparency, as many brands are unable to trace their cotton suppliers. Fashion Revolution's 2020 Fashion Transparency Index found that only 24% of brands publish their second-tier suppliers (the places where materials are processed) and only 7% publish their third-tier suppliers (where they source raw materials).



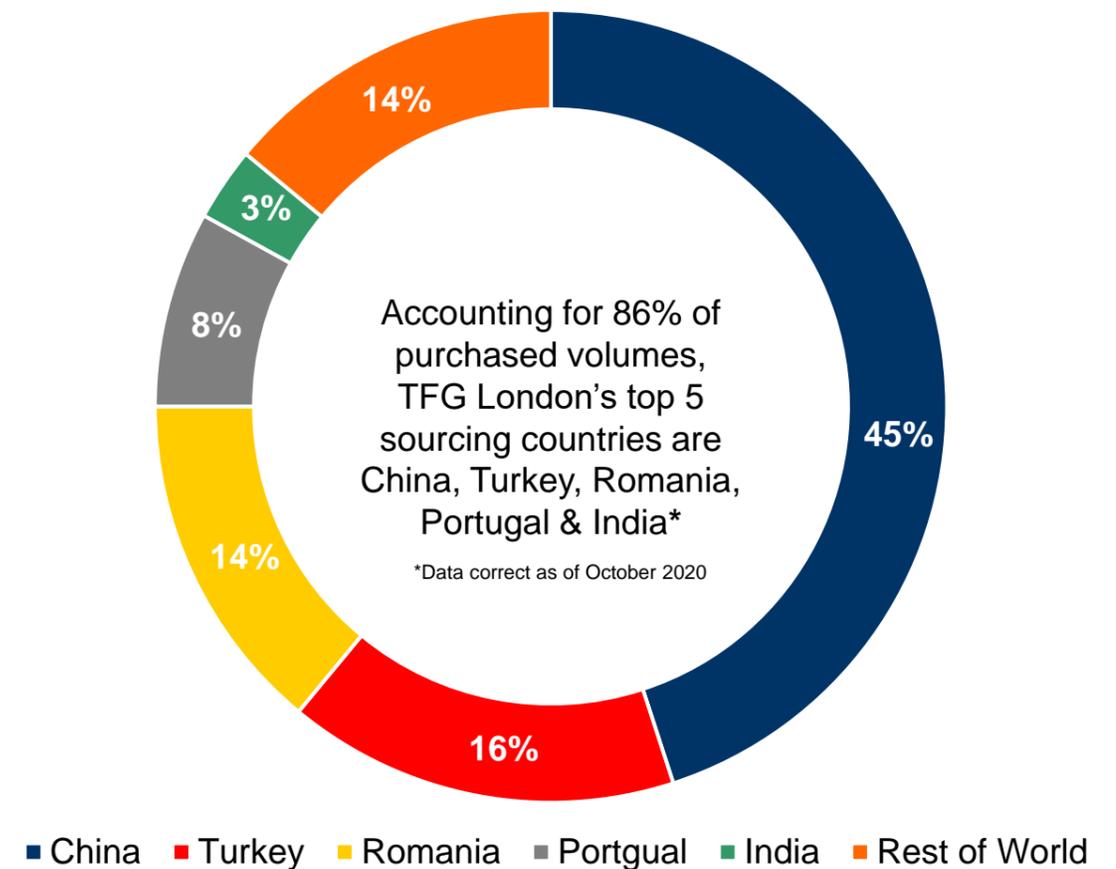
Our response

Our investigation began by looking at our sourcing landscape and collectively, TFG London manufactured products through a global network of 175 external suppliers in 20 countries.

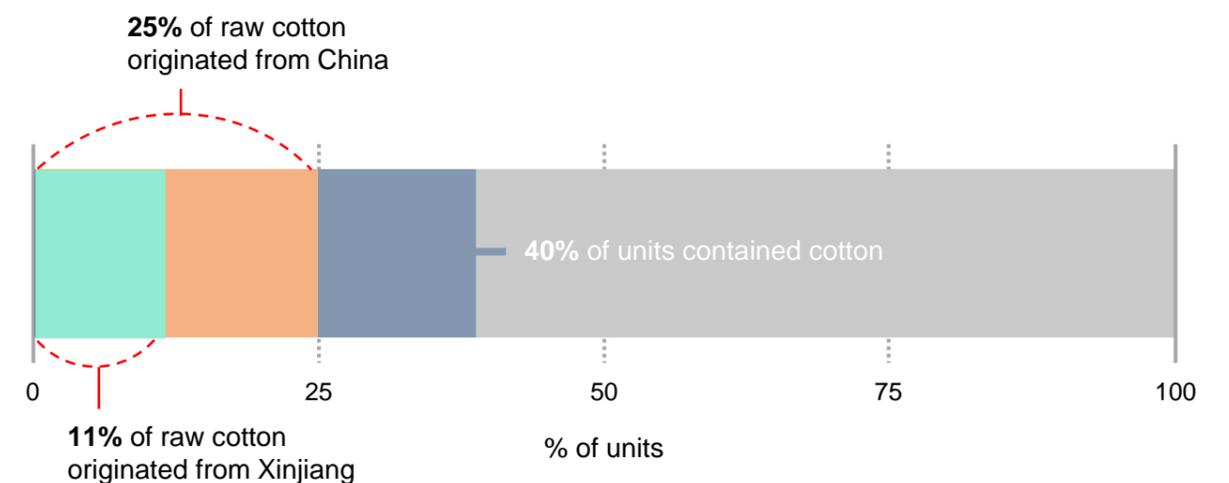
In 2020, 40% of suppliers provided products containing cotton, with 25% of those sourcing in China. Of all the cotton sourced in China, 11% was identified to have originated from Xinjiang, with a high probability of forced labour.

Establishing best practice, TFG London's primary focus was to approach our investigation collaboratively, engaging the support of the product teams with the aim to maximise our influence and leverage with suppliers. Reflecting the severity of the issue and the need to conduct thorough due-diligence, our initial engagement was centred on verifying the origin of raw cotton across our entire supply base, with all suppliers confirmed to be sourcing raw cotton from China classified as high risk.

TFG London Sourcing Landscape, 2020



TFG London Production, 2020



One-to-one calls were arranged with all high risk suppliers to discuss three main areas:

- Transparency: suppliers were requested to provide mapping from farm, ginner and spinner back to province
- Labour Transfer Schemes: although annual data is held on factory workers, reassurance was sought to confirm factories are not engaged with any labour transfer schemes from Xinjiang
- Commitment: we sought to understand the supplier's current commitment, in particular if found they are sourcing from Xinjiang
- Exit Strategy: We have implemented an updated cotton sourcing policy banning Xinjiang cotton or any cotton raw material sourced from China. If the supplier was found sourcing from Xinjiang, they will need to work closely with us to outline an exit plan

Although transparency beyond the fabric mill remained difficult, as a result of our investigation, TFG London uncovered two instances where raw cotton had been sourced from Xinjiang and implicated with a high probability of forced labour. Uncovered in tiers 3 (fabric mill) and 2 (packaging), the total volume of items implicated represents over 7,000 units of finished garments, 7,200 meters of fabric and 20,000 units of finished footwear dust bags, at a cost of over £125k to the business. With an unviable route for remediation and thorough consultation with the Ethical Trading Initiative (ETI), the decision was agreed to accept these orders with alternative routes secured outside of China for future orders.

“The forced labour affecting Uyghurs (and other minorities) in China is one of the most significant business and human rights issues today. It is really encouraging to see TFG London taking all efforts to understand where there are risks that its supply chains may be linked to the issue and taking concrete steps to prevent or mitigate those risks. We look forward to continuing to work with TFG London and other ETI members to address this issue.”



For workers' rights.
For better business.

In order to ensure we are not, in our supply chain, contributing to or benefitting from forced labour of the Uyghur and other Turkic and Muslim-majority peoples, we committed to undertaking the following actions:

- We identified and mapped through all credible means possible—including by reference to reports by human rights and labour rights organisations endorsed by the Coalition to End Forced Labour in the Uyghur Region—the following business relationships:
- Suppliers and sub-suppliers with any production facilities located in the Uyghur Region making apparel and other cotton-based goods (such as footwear dust bags).
- Suppliers and sub-suppliers based outside the Uyghur Region that have subsidiaries or operations located in the Uyghur Region that might have accepted Chinese government subsidies and/or employed workers provided by the government. These business relationships were sought to be identified and mapped regardless of whether the products the supplier makes are produced in the Uyghur Region. We have conduct appropriate due diligence in facilities outside the Uyghur Region from which it sources its own products.
- Suppliers and sub-suppliers that have employed at a workplace outside the Uyghur Region workers from the Uyghur Region who were sent by the government. In the case of suppliers with multiple factories/workplaces, these suppliers must be identified and mapped, regardless of whether the specific factory/workplace providing goods to the [Signatory] employs workers from the Uyghur Region sent by the government.
- Business relationships with any supplier in China and globally that source inputs produced in the Uyghur Region for our products, such as but not limited to fabric, yarn, or cotton.

What is the Solution?

As things stand, there is not a straightforward solution to this humanitarian crisis. We must presume that any material produced wholly or in part in the Region is likely to have been made with forced labour, which has been recognised by the US House of Representatives, FLA, the ETI and many other recognised authorities in the field.

Despite efforts, operating in the Uyghur Region in accordance with the UNGPs is a practical impossibility, and given the repression and surveillance, there are no reliable or credible means to verify any workplace is free of forced labour. Several audit companies have stated they will not operate in the Region, due to the lack of reliable transparency, which means we have no access to third party assessments.

Furthermore, there are no valid ways to prevent, mitigate or remedy forced labour. Currently, brands and retailers do not have leverage over companies which are meeting the government's aims.

Eastern Chinese companies have been requested to invest, build and run factories in the Region, with over \$2 bl given in 2018. These factories were developed to incorporate Uyghurs from the internment camps, sent via the 'poverty alleviation' programme.

For this reason, we have been advised to end our relationships with suppliers in this region that might be part of the broader system of repression and abuse, given there is the risk the supplier will sub-contract to its Xinjiang factories.

We have taken this advice very seriously and consulted at length with both the ETI and our fellow industry peers and agreed together with our existing cotton product suppliers, that they should with immediate effect or as soon as it is responsibly possible, end sourcing cotton raw material from China altogether and seek alternative routes which provide a like for like performance and cost neutral (or near to) option for any future orders.

Recommendations

Pre-competitive collaboration and joint participation from internal stakeholders have been key to the success of this investigation, and open and honest discussions with our suppliers have proven vital to address this with great sensitivity and without alienating them to withhold information.

It was also vital that we understand suppliers have limitations too. Obtaining transparency beyond the mill is extremely challenging, if not impossible at this stage. As such working together with suppliers on solutions that consider both businesses is imperative

Currently, due to the lack of verifiable traceability, there is no guarantee that cotton from China hasn't originated from Xinjiang. As a result, our position is that the only way to safeguard our operations from Modern Slavery is to prohibit cotton grown in China. However, the need for traceability from farm is urgent, and the integrity of the certification process and methodology is paramount, and it is something TFG London should seek to invest on in the next financial year.

Appendix – Supplier Declaration

[Printed on Supplier headed paper]

To:

[] October 2020

Dear

Declaration Regarding Sourcing of Cotton in the XUA Region of China

We refer to recent discussions which have taken place between us regarding our supply of cotton to the TFG Brands (London) Group (TFG London).

We have noted your serious concerns - which we share - arising out of recent reports on the treatment of Uyghurs and other Muslim minorities in the Xinjiang Uyghur Autonomous Region (XUAR) of China.

As your supplier, we are fully aware that you, and all members of your group, are strongly committed to respecting and protecting the human rights of workers involved in the sourcing of your products, and that TFG London holds a zero-tolerance policy on all forms of modern slavery. As such, you have asked us to undertake a detailed review of our own supply chain in order to identify any labour risks therein, with particular emphasis on workers in the XUAR.

Having reviewed and audited our operations in the region, we formally declare to you that we have not found any evidence, nor hold any suspicion, of involvement of exploited XUAR workers within our supply chains. We confirm, without qualification or reservation, that we are not party to any employment scheme or labour transfer programme involving workers in the XUAR.

Further, in the interests of transparency, we have shared with you the names and addresses of all of our cotton suppliers. We will continue to monitor our cotton suppliers closely and will inform you without delay of any changes and/or concerns.

This declaration is made in addition to our contractual obligations pursuant to the TFG London supplier manual.

Yours sincerely

Acknowledged and accepted by:

.....

[Director name]

For and on behalf of

[Supplier company name]

.....

Date:

Appendix – Cotton Procurement Policy Update



Policy Update: Cotton Procurement Policy

Applicable: Textile
Applicable to: All categories
Country: All
Date updated: December 2020

Policy

TFG London Brands (Hobbs, Whistles and Phase Eight) does not support the use of cotton from Turkmenistan, Uzbekistan or China in our textile products.

TFG London Brands requires suppliers to identify the source of raw cotton used in TFG London Brands textile products and to provide adequate supporting documentation of the source.

Where it is not possible for suppliers to identify the source of raw cotton, TFG London Brands requires suppliers to advise and provide an explanation to the Sustainable Sourcing team ahead of starting production.

TFG London Brands reserves the right to audit records to monitor the source of raw cotton of any supplier at any time.

Background

TFG London Brands' Ethical Trade Programme aims to ensure the rights of workers in our supply chain are respected and protected. Prohibition of forced labour is an important element of our Standards. We have seen reports of the widespread use of forced labour to harvest the cotton fields in Uzbekistan and at this time, we are joining other brands, retailers, trade organizations and non-governmental organisations, to voice our concern with a goal to eliminate this practice.

The use of organised forced labour is completely unacceptable and leads us to conclude that while the risk of this remains high in Uzbekistan, we cannot support the use of cotton from Uzbekistan in our textiles.

It is our expectation that our suppliers will not knowingly source cotton from Uzbekistan and they shall make all reasonable efforts to communicate our concern for this issue down the supply chain. We will continue this ban until the elimination of state imposed forced labour is independently verified by the International Labor Organisation as well as determined by the Cotton Campaign.

Turkmenistan has been identified with "Decent Work" issues similar in nature to those identified in Uzbekistan.

In addition, we are concerned by reports of human rights abuses being perpetrated against Uyghurs and other Turkic- and Muslim-majority peoples in the Xinjiang Uyghur Autonomous Region and other parts of China which are key cotton production regions in China. We note the Better Cotton Initiative's decision to cease all field-level activities in the Region, due to an increasingly untenable operating environment.

We understand that cotton is an internationally traded commodity and that raw cotton sources are not always easily identifiable.

For more information on Uzbekistan and Turkmenistan cotton industry please refer to <http://www.cottoncampaign.org/>.

For more information on the Xinjiang Uyghur Autonomous Region, please refer to <https://enduyghurforcedlabour.org/>

Support

If you have particular questions on cotton sourcing, please contact Francesca Mangano, CSR and Sustainability Executive at francesca.mangano@tfg-brands.co.uk, who can provide advice and training to those suppliers who require additional help in meeting obligations required by TFG London Brands.

Thank you for your continued partnership.

Acknowledgement of receipt and acceptance of the Cotton Procurement Policy Update. By signing this document you agree to follow and adhere to the Cotton Procurement Policy Update

Supplier Name:

.....

Supplier Contact Name:

.....

Title:

.....

Signature:

.....

Date:

.....