

Date: July 5-6, 2018

Place: Tashkent, Uzbekistan

The following individuals met on July 5-6 in Tashkent, Uzbekistan:

IFC group: Deniz Baharoglu, Manager; Lukas Casey, Manager; Wenlei Zhou, Senior Social Development Specialist; Viktoria Mironova, Social Development Specialist; Zafar Khashimov, Country Officer; Umed Umarov, Senior Investment Officer; Victoria Androsova, Senior Counsel; and Daria Pavlova, Associate Investment Officer.

Group in Mediation: Elena Urlaeva, Human Rights Alliance of Uzbekistan, Tashkent; Uktam Paradaev, human rights defender from Jizzakh; Azimbay Ataniyazov, human rights defender from Nukus, Karakalpakstan Autonomous Republic; Arysylanbay Otegov, human rights defender from Nukus, Karakalpakstan Autonomous Republic; Haitbay Yakubov, "Najot" (Salvation) human rights organization, Khiva; Gulnara Faizieva, Initiative Group of Independent Human Rights Defenders of Uzbekistan, Tashkent; Rukhiddin Komilov, human rights lawyer, Parkent; Zohidzhon Zokirov, International Human Rights Society, Namangan branch; Shukhrat Ganiev, human rights lawyer, Humanitarian Legal Center, Bukhara.

CAO group: Scott T. Adams, Senior Specialist Ombudsman; Tatsiana Bialiayeva, CAO Mediator; Raisa Kadyrova, CAO Mediator; and Saidbek Roziev, CAO Team Assistant.

The meeting was held at the invitation of CAO in response to complaints submitted by the Group in Mediation which focused on concerns around the risk of forced labor in connection with IFC's investments in JV Indorama Kokand Textile (Indorama), LLC and JSC Bank with Foreign Capital "Hamkorbank" (Hamkorbank).

The main themes covered were:

- i) IFC's due diligence and supervision processes for both projects (direct investment and financial intermediaries);
- ii) IFC's sustainable policy, disclosure policy, environmental and social performance standards and their application in both projects in particular as they relate to the question of forced labor and supply chain.

The Group in Mediation asked for information on how IFC ensures it applies its performance standards on the Hamkorbank and Indorama projects.

IFC advised that it receives regular monitoring reporting from and makes regular visits to Indorama and Hamkorbank to monitor the performance and to work with the clients in case challenges arise.

Regarding the Indorama project, one of the main topics discussed was the risk index IFC developed. The index is used by Indorama to identify areas where there is a high risk of forced labor. IFC explained that multiple sources are used - including official government sources and the Uzbek-German forum data. Shukhrat Ganiev raised a concern that IFC used only one independent source of data – from the Uzbek-German

forum. IFC advised that the index is designed to incorporate multiple sources and welcomed the use of other reliable and objective sources.

The Group in Mediation asked for details on the specific districts/gins from which Indorama source their cotton. IFC advised that it is difficult for the client to provide these details due to commercial sensitivity of such information.

Regarding the Hamkorbank project, the Group in Mediation asked to what extent the bank is involved in financing of cotton and textile sectors, and how it ensures the related risks are mitigated. IFC explained that Hamkorbank does not finance cotton farming, textile sector represents a small portion of its loan portfolio, most of the bank's clients in textile sector are involved in second or third cycle of cotton processing, as well as a significant part of clothing/apparel manufacturers in portfolio use other types of raw materials (non-cotton) or imported fabrics. Hamkorbank reviews these details in its due diligence. It has also recommended clients – mostly those involved in cotton spinning – to apply the risk index.

The meeting ended on a very positive note. IFC and the Group in Mediation agreed that incorporating more information for the index would be helpful. The parties also agreed to continue to stay in regular communication.

