

Fashion Crimes: The European Retail Giants Linked to Dirty Brazilian Cotton

Briefing for EU policymakers

Overview

- The new investigation [Fashion Crimes](#) by the environmental organisation [EarthSight](#) reveals that cotton used by fast fashion giants H&M and Zara is linked to large-scale deforestation, land grabbing, human rights abuses, and violent land conflicts in the Brazilian Cerrado.
- The cotton is grown by two of Brazil's largest agribusinesses – SLC Agrícola and the Horita Group – in western Bahia state, a part of the precious Cerrado biome, which has been heavily deforested in recent decades to make way for industrial-scale agriculture.
- Unlike in the Amazon, deforestation in the Cerrado is getting worse. The biome is home to five per cent of the world's species. Many face extinction due to habitat loss if current deforestation trends are not reversed.
- For centuries, traditional communities in Bahia have lived in harmony with nature. These communities have seen their lands stolen and suffered attacks by greedy agribusinesses serving global cotton markets.
- The tainted cotton in H&M and Zara's supply chains is certified as ethical by the world's largest cotton certification scheme, Better Cotton, which has failed to detect the illegalities committed by SLC and Horita. Better Cotton's deep flaws will not be addressed by a recent update to its standards.
- The report includes recommendations for three flagship EU policies:
 1. The Corporate Sustainability Due Diligence Directive (CSDDD) needs to be passed.
 2. The Commission should carry out an impact assessment on the inclusion of cotton in the commodity scope of the EU Deforestation Regulation (EUDR). Further improvements, such as the inclusion of 'other wooded lands' in the scope of the law, and proper implementation and enforcement of the EUDR are also needed.
 3. In its implementation of the EU Strategy for Sustainable and Circular Textiles, the Commission ought to ensure that the sourcing of cotton and the related environmental and societal impacts are not overlooked.

Key findings

Cotton grown in the Cerrado in the Brazilian state of Bahia

EarthSight has discovered that cotton used by H&M and Zara is linked to large-scale deforestation, land grabbing, human rights abuses and violent land conflicts in the Brazilian Cerrado.

Over the last decade Brazilian cotton has gained prominence in the global fashion market. The country is now the world's second largest exporter. In the decade to 2023, Brazil's exports more than doubled. Almost all this cotton is grown in the Cerrado.ⁱ

The Cerrado lies south of the Amazon and is one of the richest biomes on Earth, home to 161 species of mammal. Millions of people are also dependent on its forests and savannahs for their livelihoods. Yet the destruction being wrought in the Cerrado by industrial agriculture in recent decades has been even worse than that seen in the Amazon.

About half of the biome's native vegetation has already been lost, mostly to make way for agribusiness expansion. And while the latest news from the Amazon is cautiously positive,ⁱⁱ in the Cerrado the problem is getting worse: in 2023 rates of deforestation in the biome increased by 43 per cent compared to the previous year.ⁱⁱⁱ Clearing Cerrado vegetation for agricultural production generates as much carbon per year as the annual emissions of 50 million cars. The state of Bahia alone has lost nearly a quarter of its native Cerrado – an area the size of Wales – to agricultural expansion in recent decades.

Land grabbing and violence against traditional communities

Fashion Crimes details how two of Brazil's largest cotton producers with links to the EU market are involved in land grabbing, violence against traditional communities and deforestation: SLC Agrícola and Grupo Horita (Horita Group).

Horita grows cotton, soy and other crops on a third of a mega estate called Estrondo. The Horita Group – the largest landholder at the estate – has been closely linked to the violent land disputes pitting Estrondo against traditional communities that have inhabited the area since the 19th century.

Such communities, known as *geraizeiros*, have lived in harmony with nature for generations, hunting, fishing, growing traditional crops and driving cattle. They are protected by law and should have the right to their traditional lands guaranteed.

In 2018 Bahia's attorney general found Estrondo was one of the largest areas of land grabbed in Brazilian history. Estrondo's lands are public lands, which belong to the state of Bahia and should be environmentally protected and set aside for *geraizeiro* communities.

Over half of this area has been deforested so far. More than 10 years ago *geraizeiros* started experiencing intimidation and harassment by armed men working for Estrondo's owners and tenants. In two violent episodes in 2019, two community members were shot by Estrondo's security guards.

An ongoing lawsuit against Estrondo by Bahia's attorney general aims to recover these public lands.

Another case of land grabbing has afflicted the traditional community of Capão do Modesto. There, large agribusinesses have been accused of misappropriating public lands to convert them into 'legal reserves', areas landowners must set aside for environmental preservation. But instead of setting aside part of their productive properties as legal reserves, several agribusinesses have acquired land elsewhere for this purpose. The Horita Group and SLC are linked to a legal reserve at Capão do Modesto.

Bahia's attorney general has referred to Capão do Modesto as "one of the most serious land grabbing cases in Bahia," and requested the suspension and eventual cancellation of all land titles overlapping it. The local community has suffered harassment, surveillance, intimidation and attacks carried out by gunmen linked to the agribusinesses.

Illegal deforestation

Both the Horita Group and SLC Agrícola have a brazen history of illegal deforestation and environmental infractions in western Bahia.

In 2014 Bahia's environment agency found 25,153ha of illegal deforestation on Horita farms at Estrondo. In 2020 the same agency indicated it could not find permits for 11,700ha of deforestation

carried out by the company between 2010 and 2018. Ibama, a federal law enforcement agency, fined Horita over 20 times between 2010 and 2019 (totalling \$4.5 million) for environmental violations.

Satellite images analysed by Earthsight reveal a Horita farm embargoed by Ibama since 2008 due to environmental infractions – a measure to shut off a piece of land from further commercial exploitation and let it regenerate – has grown cotton repeatedly since 2017, in breach of the embargo.

SLC has an equally troubling track record. Two of its farms, which grows cotton, lost at least 40,000ha of native Cerrado in the last 12 years. Despite a zero-deforestation policy adopted in 2021, the company was accused of clearing 1,365ha of native vegetation at its Palmares farm in 2022.

Ibama has fined SLC over US\$250,000 since 2008 for environmental infractions in Bahia. The Norwegian pension fund divested from the firm in 2017 due to SLC's links to environmental abuses.

The link to the EU market

During the one-year investigation, Earthsight discovered that the cotton tainted by deforestation, land grabbing and violence against traditional communities is ending up in the supply chains of the world's two largest fashion retail chains: Zara and H&M.

H&M and Inditex, which owns Zara, are the world's largest clothing companies. They had combined profits of around US\$41 billion in 2022. H&M has 4,400 shops around the world while Zara and other Inditex brands – Pull&Bear, Bershka, Massimo Dutti, Stradivarius – have nearly 6,000. H&M and Zara are global leaders in the fast fashion industry, churning out numerous clothing collections each year.

Shipment records show the Horita Group and SLC Agrícola directly exported at least 816,000 tonnes of cotton from Bahia to foreign markets between 2014 and 2023.^{iv} Other sources of information suggest^v the true total exports of the two firms during that period was well over 1.5 million tonnes, with the difference exported via intermediaries.

We identified eight Asian clothing manufacturers using Horita and SLC cotton while at the same time supplying H&M and Zara with millions of items of finished cotton garments.

These include PT Kahatex in Indonesia, the largest buyer of Horita and SLC tainted cotton we found. H&M is the Indonesian firm's second largest customer, and has purchased millions of pairs of cotton socks, shorts and trousers from it. These items can be found at H&M stores in the US, Germany, UK, Sweden, Netherlands, Belgium, Spain, France, Poland, Ireland, Italy, and other countries in Europe and elsewhere. Another buyer of Horita and SLC cotton is the Jamuna Group, one of Bangladesh's largest industrial conglomerates. In the year to August 2023 Zara stores in Europe sold €235 million' worth of jeans and other denim clothes, which are made with cotton, manufactured by Jamuna in Bangladesh – approximately 21,500 pairs a day. Inditex imports items made by Jamuna to Spain and the Netherlands, from where it distributes them to its Zara, Bershka and Pull&Bear stores across Europe. A Horita and SLC customer in Pakistan, Interloop, shipped some 30 million pairs of cotton socks to H&M in Germany, Sweden, USA, Belgium, Spain, UK, Italy and the Netherlands in 2023.

Failure of certification scheme

As part of their sustainability efforts, H&M and Zara rely on a fundamentally flawed ethical supply chain certification system called Better Cotton (BC).^{vi} Most of both firms' products are made with BC-certified cotton, making them by far the world's biggest users of cotton carrying the BC seal of approval. Brazil produces the world's largest amount of Better Cotton-licensed fibre, accounting for 42 per cent of the global volume.

But Earthsight found that the cotton we linked to land rights and environmental abuses in Bahia carried the Better Cotton label. This should not be surprising. BC has been repeatedly accused of greenwashing and criticised for failing to allow for full traceability of supply chains.

While Better Cotton is putting new standards and procedures in place, the scheme will continue to suffer from several weaknesses. Requirements for a producer to comply with local laws are excessively vague and say nothing about land ownership or land disputes. A new ban on conversion of natural ecosystems after December 2019^{vii} fails to address illegal deforestation that took place prior to that date. A new traceability system being rolled out in the coming years is woefully inadequate as it only traces cotton back to the country of origin, not to individual farms. Rules on mitigating harm to indigenous and traditional peoples only apply to communities outside farm boundaries, ignoring violations against those whose lands have been stolen. On the other hand, criteria meant to protect local communities within farm boundaries fail to demand that agribusinesses seek their full consent for projects that affect their livelihoods.

Earthsight also identified worrying problems with BC's accreditation and compliance systems. In Brazil, a national cotton producers' association (ABRAPA) is in charge of the certification programme, a serious conflict of interest. Similar issues exist in auditing processes where auditors are paid by and depend on the certified companies for their business.

H&M and Inditex currently lack the policies and tools to make up for BC's shortcomings. H&M's human rights and sustainability policies fail to address communities' rights or deforestation. Inditex's environmental commitments do not seem to extend to its cotton suppliers.

Implications and recommendations for EU policies

Weak supply chain oversight by companies and an ineffective certification system mean regulatory action by governments and robust enforcement are needed to reform the cotton and fashion sectors.

1. The Corporate Sustainability Due Diligence Directive (CSDDD) needs to be passed.

The CSDDD, if enacted, would require the largest companies operating in the EU, including Inditex and H&M, to identify and prevent, mitigate, minimise or bring to an end adverse human rights and environmental impacts in their supply chains. As such, a strong CSDDD could have a positive impact for the communities affected by large-scale cotton production in Brazil.

However, a last-minute decision by Germany to withdraw support for the law ahead of crucial votes on it at the EU Council in February and March 2024^{viii} nearly buried the CSDDD. It was only endorsed by the Permanent Representatives Committee of the EU Council on 15 March after weeks of deadlock and changes to the text that severely restricted the law's applicability to the very largest businesses while extending the period after which they would need to comply.^{ix}

Even before the final changes made to salvage the law in the Council, pressure from certain Member States – notably Germany and France – during earlier negotiations between the Council and European Parliament led to a significantly weakened text.^x Specific rights of indigenous peoples and traditional communities are not included, for example.^{xi} Yet the passing of such a law can bring much-needed accountability to some European supply chains and allow those negatively affected by large companies' activities to hold them liable before EU courts.

It is vital that the CSDDD is passed by the European Parliament and the Council.

2. The Commission should carry out an impact assessment on the inclusion of cotton in the commodity scope of the EU Deforestation Regulation (EUDR). Further improvements, such as the inclusion of ‘other wooded lands’ in the scope of the law, and proper implementation and enforcement of the EUDR are also needed.

Another vital EU law with the potential to bring transformation to the cotton sector is the EUDR. It came into force in June 2023 – although companies will only have to comply with it from December 2024 – and is arguably the strictest ever of its kind passed in a major consumer market.

It demands that firms trace goods covered by the law^{xii} back to the land where the raw materials were produced. It requires that production not only be deforestation-free, but also legal under the producer country’s environmental, land and human rights laws. It also requires companies to carry out due diligence in order ensure that the risk of breaching the law’s requirements is reduced to a minimum – an important shift in the burden of proof, particularly given the vast grey areas surrounding legality in certain places, including Bahia.

The EUDR, however, does not cover cotton. Unlike better known drivers of deforestation, including beef, soy and palm oil (which are covered), the law will not prevent the cotton supply chains of Europe from being tainted by land grabbing, deforestation or violations of traditional communities’ land rights.

Fortunately, Article 32 of the EUDR requires that the Commission review the commodity scope of the law two years of coming into force and to carry out a general review after five years. Given the findings of Fashion Crimes, the Commission is urged to carry out an impact assessment on cotton when reviewing the commodity scope in the future.

Simply adding cotton and derived products to the EUDR may, however, not be enough. Further improvements to the EUDR during its review stages and proper enforcement are also needed:

- (a) The regulation needs to go beyond its current, narrow focus on forests to also protect other types of ecosystems, including the less densely forested ones common in the Cerrado.^{xiii}
- (b) Enforcement authorities in EU countries will need to ensure laws protecting traditional communities’ rights are complied with even if local enforcement in the producer country is lacking or local governments are being complicit in illegalities.^{xiv}

3. In its implementation of the EU Strategy for Sustainable and Circular Textiles, the Commission ought to ensure that the sourcing of cotton and the related environmental and societal impacts are not overlooked.

With its EU Strategy for Sustainable and Circular Textiles, the European Commission in principle agrees that government-led action is needed to ensure the fashion and textile industries change their practices.^{xv} Adopted in March 2022, the strategy aims to reinvent the lifecycle of textile and footwear products by changing how fabrics are made, consumed, and disposed of. However, the strategy places little focus on the environmental and social impacts of cotton production.^{xvi}

The European Parliament’s resolution on the strategy stresses the need to cover the *entire* value chain of textile products.^{xvii} While it fails to directly address issues connected with cotton sourcing, in its implementation of the Strategy, the Commission ought to address the environmental and societal impacts of cotton sourcing.

– END OF BRIEFING –

For questions and queries please email rafaelpieroni@earth sight.org.uk

ⁱ Praveen Noojipady *et al*, 'Forest carbon emissions from cropland expansion in the Brazilian Cerrado biome', *Environ. Res. Lett.* 12 025004, 2 Feb 2017, available at <https://iopscience.iop.org/article/10.1088/1748-9326/aa5986#erlaa5986r25>

ⁱⁱ Ministério do Meio Ambiente e Mudança do Clima, 'Área sob alertas de desmatamento na Amazônia cai 50% em 2023', 14 Jan 2024, available at <https://www.gov.br/mma/pt-br/area-sob-alertas-de-desmatamento-na-amazonia-cai-50-em-2023>

ⁱⁱⁱ Ibid

^{iv} Horita Group and SLC Agrícola's direct exports do not include cotton shipped through intermediaries, such as large commodity traders. As such, these firms' total exports are likely to be much higher. The export figures are based on Earthsight's analysis of shipment records available for Brazilian exports for the 2014-2023 period.

^v These include undercover meetings with some of the largest cotton producers in Bahia, comments sent to Earthsight by the Asian manufacturers, the Horita Group and SLC, and analyses of Bahia cotton production and exports carried out by Earthsight.

^{vi} For more information on Better Cotton see: <https://bettercotton.org/>

^{vii} This will only come into force from 2025, one year later than originally planned.

^{viii} Reference: <https://twitter.com/EU2024BE/status/1762802636414153044>

^{ix} Under these changes, only companies with over 1,000 employees and turnover of more than €450 million would fall under the scope of the law, as opposed to the previously agreed 500 employees and €150 million turnover. In addition, a staged approach was introduced to application periods, with some companies having to comply after three years and others after 5 years. See Council of the European Union, 'Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 - Letter to the Chair of the JURI Committee of the European Parliament', Interinstitutional File: 2022/0051(COD), 15 Mar 2024, available at <https://data.consilium.europa.eu/doc/document/ST-6145-2024-INIT/en/pdf>

^x For instance, France was the main driver behind the close to complete exclusion of the finance sector:

<https://www.euronews.com/business/2023/12/12/csddd-is-the-make-or-break-moment-for-the-eus-sustainability-commitments>, and <https://corporatejustice.org/news/france-strikes-again-to-undermine-the-csddd/>. Germany succeeded in preventing the addition of sanctions for companies that do not implement their own CSDDD climate plans: https://lieferkettengesetz.de/wp-content/uploads/2024/01/20240124_Initiative-Lieferkettengesetz-Briefing-FDP_final-1.pdf.

^{xi} For instance, the International Labour Organisation's Indigenous and Tribal Peoples' Convention 1989 (No. 169) or the UN Declaration on the Rights of Indigenous Peoples are not included in the CSDDD Annex. See [Council of the European Union](#), 'Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 - Letter to the Chair of the JURI Committee of the European Parliament', Interinstitutional File: 2022/0051(COD), 15 Mar 2024, available at <https://data.consilium.europa.eu/doc/document/ST-6145-2024-INIT/en/pdf>

^{xii} The EUDR covers seven commodities – cattle, soy, oil palm, coffee, cocoa, wood, rubber – and a list of products linked to these commodities. See EUR-Lex, 'Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 (Text with EEA relevance)', Document 32023R1115, available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1115&qid=1687867231461>

^{xiii} The EU Commission must take the opportunity of the one- and two-year review stages to add 'other wooded lands' and 'other ecosystems' to the scope of the EUDR. Article 2(4) of the EUDR defines forest as "land spanning more than 0,5 hectares with trees higher than 5 metres and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use." While 18 per cent of the Cerrado – including many cotton production areas – falls under the definition of forest, 56 per cent is 'other wooded land' and therefore currently not protected by the zero-deforestation requirement: https://alianzacerodeforestacion.org/wp-content/uploads/2023/09/RF_EUDR_0923_low.pdf.

^{xiv} Article 3(b) requires that commodities placed shall not be placed or made available on the market or exported, unless "they have been produced in accordance with the relevant legislation of the country of production". As per Article 2(40)(f), this includes "laws applicable in the country of production concerning the legal status of the area of production in terms of (...) human rights protected under international law". While the EUDR includes relevant internationally recognised human rights laws, but only where these are part of producer country law. While Brazil does have laws that, at least in principle, protect traditional communities' land rights, whether these laws are implemented or enforced is a different matter. The enforcement authorities of EU Member States will have to make thorough assessments to ensure these laws are complied with even if local enforcement and implementation are lacking or if local governments are being complicit in illegalities. To ensure consistency among Member State enforcement authorities, the European Commission should produce clear stakeholder guidance on this. In its FAQ document, the Commission states that it will issue a specific guidance document on legality "in due course". The FAQ also highlights that for documentations that form part of the risk assessment under the EUDR, "the operator has to verify that these documents are verifiable and reliable, taking into account the risk of corruption in the country of production.": <https://circabc.europa.eu/ui/group/34861680-e799-4d7c-bbad-da83c45da458/library/e126f816-844b-41a9-89ef-cb2a33b6aa56/details>

^{xv} European Commission, 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – EU Strategy for Sustainable and Circular Textiles', 30 Mar 2022, available at https://eur-lex.europa.eu/resource.html?uri=cellar:9d2e47d1-b0f3-11ec-83e1-01aa75ed71a1.0001.02/DOC_1&format=PDF

^{xvi} Though the Strategy does address the environmental impact of production of synthetic fibres from fossil-fuels. Ibid

^{xvii} For instance, the Commission's EU Strategy for Sustainable and Circular Textiles does not mention the EU Deforestation Regulation, while the European Parliament's resolution on the Strategy recalls that land clearance to raise cattle for food and fashion purposes is responsible for 80 per cent of the Amazon's deforestation and that the EUDR includes leather. See European Parliament, 'EU Strategy for Sustainable and Circular Textiles, European Parliament resolution of 1 June 2023 on an EU Strategy for Sustainable and Circular Textiles (2022/2171(INI))', P9_TA(2023)0215, 2023, available at https://www.europarl.europa.eu/doceo/document/TA-9-2023-0215_EN.pdf