

## Appreciation Midterm evaluation of the Dutch Agreement on Sustainable Garments and Textile

### Background

From January to May 2019, research agency Avance Impact (hereinafter: Avance) carried out a midterm evaluation of the Dutch Agreement on Sustainable Garments and Textile (hereinafter: the Agreement). Commissioned by the steering committee, the midterm evaluation examines the progress and operation of the Agreement. It reviews the experiences and results of the past three years and makes recommendations for the remaining period up to July 2021. In this Appreciation, the steering committee discusses the mid-term findings and outlines how recommendations will be implemented.

### Introduction – Dutch Agreement on Sustainable Garments and Textile

The Agreement was signed on 4 July 2016 with a five year timeframe. Its objective is to make substantial progress towards mitigating or eliminating specific risks with regards to International Responsible Business Conduct (RBC) in the garment and textile production or supply chain within a period of three to five years for groups experiencing adverse impacts. By joining the Agreement, companies, NGOs, trade unions and the government of The Netherlands, will:

- provide individual companies with tools and guidance to prevent their activities or business relationships from having an actual or potential adverse impact in the production or supply chain and combat any such impacts if they do arise;
- develop collective activities and projects to address problems that companies in the garment and textile sector cannot resolve entirely and/or on their own.

The Agreement actively seeks international cooperation so as to maximise the impact and create a level playing field. The Agreement supports companies in identifying, mitigating, preventing and accounting for the actual and potential adverse impacts of their actions, as laid down internationally in the OECD Guidelines for Multinational Enterprises (hereinafter: OECD Guidelines) and the UN Guiding Principles on Business and Human Rights.

### Main findings

Avance concludes that the Agreement is relevant for the Dutch garment and textile sector. Companies have made visible progress in embedding due diligence in their policy and organisation (step 1) and in analysing and prioritising risks (step 2) (see the Figure). This has led individual companies to learn more about risks in their production or supply chain, to integrate responsible business conduct into their policymaking & management

systems, to involve their executives and management in IRBC, to build capacity for IRBC, and to take the first steps towards changing their procurement practices. The support offered to companies in this context is extensive and unique. In addition, the parties have succeeded in



Figure: Due diligence management system Agreement on sustainable Garments and Textile

<sup>1</sup> The figure shows the steps in the due diligence process as undertaken in the Agreement. These steps incorporate the six steps of due diligence adhered to by the OECD.

jointly setting up three collective projects to address problems that companies are unable to resolve entirely and/or on their own. The interim target for market coverage (fifty percent in 2018) has also largely been met. Cooperation between the parties and a growing level of mutual trust have been important factors in achieving these results.

### **Recommendations**

At the same time, Avance points out the need to focus extra efforts on the Agreement's overall objective. The parties should use the remaining term of the Agreement to support in taking companies' due diligence further ('to step 3 and beyond') so that they can achieve substantial improvements among groups that experience adverse impacts.

Avance sees opportunities for improvement with regard to:

- (1) activities related to due diligence
- (2) collective actions and projects
- (3) cooperation (both Dutch and international) and a level playing field
- (4) other areas.

Avance estimates that it is likely to take longer than the intended three to five years<sup>2</sup> for the due diligence process to result in substantial improvements for those experiencing adverse impacts. This does not preclude parties and companies from taking further steps right now to make specific improvements in the value chain.

In the following sections, we discuss the four opportunities for improvement listed above in more detail. For each one, we describe the relevant arrangements under the Agreement. We then briefly review Avance's conclusions and recommendations, and the steering committee's response.

## **1) Activities related to due diligence**

### *Arrangements under Agreement*

Companies that have signed the Agreement undertake to perform due diligence in accordance with the OECD Guidelines. The Agreement stipulates that companies must present an annual action plan that provides information on identified serious risks and how the company prioritises and intends to mitigate or prevent them. The Agreement secretariat, which is hosted by the Social and Economic Council of the Netherlands, assists companies where necessary in drawing up their action plans and assesses them in accordance with an assessment framework prepared for this purpose by the parties. The secretariat treats the information contained in the action plans as confidential and, in line with the arrangements made, reports on results only in aggregated form. During their third year of membership, companies are obliged to communicate publicly about risks in the value chain and how they deal with them. It is up to the companies themselves to decide how to communicate this information.

### *Conclusions and recommendations in midterm evaluation*

Avance concludes that the Agreement has produced results in steps 1 and 2 of companies' due diligence process. Companies appreciate the support that they receive in this regard. Concerning the assessment of action plans, Avance recommends further elaboration of the assessment framework to ensure consistency between different assessors. In addition, Avance concludes that the tools supplied to individual companies do not always correspond as well as they could with the serious risks that have been identified. That is why it is important for all the parties to the Agreement to understand the identified risks. At the same time, it must be easier for companies to see how parties can help them tackle their risks in step 3 and beyond of the due diligence process, either on their own or in cooperation with other companies or

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<sup>2</sup> In accordance with the Social and Economic Council's advisory report on ICSR agreements (2014).

parties. Avance recommends taking a pragmatic approach to the prioritisation set out in the OECD Guidelines, based on severity and likelihood of occurrence.

#### *Response of steering committee*

The steering committee is pleased to note that the due diligence process has produced its first results, and it recognises the importance of providing companies with the best possible level of support as they take this process forward. The steering committee has therefore decided that from the third quarter of 2019 onwards, companies will share their two priority risks with the parties to the Agreement every year so as to further the latter's understanding of such risks. Companies should indicate whether they think they are capable of addressing these risks on their own or whether they need help from other parties to do so. In addition, the parties have recently compiled an updated overview setting out how parties and supporting organisations can help companies to tackle risks in the value chain on a day-to-day basis. To consolidate the relationship between risks and modes of action, and in line with the recommendations of the midterm evaluation, the secretariat is stepping up its 'matchmaking' efforts between companies and parties. The updated overview will be brought to the attention of companies with this in mind. In accordance with the OECD Guidelines, and in cooperation with the relevant parties, companies should look for specific ways to tackle the most serious risks in production countries. They can, wherever possible, rely on the knowledge and expertise of civil society partners under the Agreement to help them to address priority risks in the production or supply chain. In addition, they can also take steps to mitigate or eliminate other significant risks.

As recommended, the elaboration of the assessment framework with a view to achieving a more consistent assessment, has been taken up. The assessment framework will be reviewed every two years, if necessary. The next review will be completed in the first quarter of 2020. It will include the recommendations of the midterm evaluation and the OECD alignment assessment.<sup>3</sup> The third assessment cycle, which commenced in the summer of 2019, has already seen the secretariat focusing on activities aimed at addressing risks and boosting the impact in companies' production and supply chains.

## **2) Collective actions and projects**

#### *Arrangements under Agreement*

Attaining substantial improvements in the garment and textile value chain requires a solid understanding of that chain. To this end, the parties have agreed that all affiliated companies will provide the secretariat with information about their production locations every year. This information is published in aggregated form as a list of production locations, the purpose being to improve transparency in the sector and to facilitate a collective approach to addressing risks. In addition, the list of production locations allows workers in the garment and textile value chain to lodge a complaint if their rights are being violated, whether or not they are represented by an external party. Stakeholders can contact the complaints and disputes committee under the Agreement for this purpose.<sup>4</sup>

The Agreement also provides for collective projects. Joint activities and projects are developed to address problems that companies cannot resolve entirely and/or on their own. Parties to the Agreement, committed to set up at least two collective projects: one related to trade union rights and one related to living wage.

The text of the Agreement also states the following with regard to living wage:

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<sup>3</sup> The OECD is in the process of performing an alignment assessment to determine whether initiatives in the garment and textile sector aimed at implementing the OECD Guidelines are aligned with the OECD Garment & Footwear Guidance.

<sup>4</sup> [https://www.imvoconvenanten.nl/garments-textile/agreement/complaints?sc\\_lang=en](https://www.imvoconvenanten.nl/garments-textile/agreement/complaints?sc_lang=en)

- 1) *'In 2017, based on the due diligence of the participating companies, a project will be developed regarding living wage, in yet to be determined countries and will take into account existing projects. This project will aim to bridge the gap between current wages and living wage, in order to achieve the objective of a living wage in 2020. In this regard, the premise of individual participating companies will be central. The project will include both collective elements as well as customized agreements for each company. Progress will be tested in the midterm evaluation of the Agreement. In addition to the companies, the unions FNV and CNV, the international unions, Solidaridad and other parties and their partners will participate in this project, and subscribe to the objective of this project.'* (Ch 2, p. 16)
- 2) *'The Parties' joint aim is as follows: At least a living wage in the production or supply chain by 2020.'* (Appendix 1, Living wage, under b)

#### *Conclusions and recommendations in midterm evaluation*

With regard to the list of production locations, Avance concludes that it is not sufficiently clear how workers and stakeholders can bring risks to the attention of the Agreement organisation and affiliated companies and what follow-up steps might be taken. Very little use is being made of this mechanism at the present time. A means of harnessing this potential would be to clarify procedures and actively communicate the presence of the list and the option of contacting the complaints and disputes committee. With regard to collective projects, the midterm evaluation concludes that the Agreement has succeeded in setting up three collective projects. One of these projects concerns living wage, in accordance with the Agreement. The other two, which address child labour and cleaner production, were not originally foreseen. Although good progress has been made and collective projects are helpful in effectively tackling risks in the value chain, Avance concludes that only a small number of companies are currently participating in the existing collective projects. There is scope for improvement by involving more companies in collective projects and other collective activities and by ensuring that such projects and activities address priority risks that companies are unable to resolve entirely and/or on their own.

#### *Response of steering committee*

In July 2019, the Agreement organisation entered into an alliance with the Open Apparel Registry (OAR), an international database. The advantage making use of OAR is that it makes it easier for parties such as civil society organisations to access the production locations of companies affiliated with the Agreement, no matter where they are located around the world. In addition, the OAR makes it immediately apparent whether other companies (whether or not they participate in the Agreement) are purchasing from a specific location. The steering committee expects this to lead to more external awareness of the production locations of Dutch garment and textile companies and to creating more collective leverage on locations that companies have in common. With regard to workers and stakeholders finding their way to the complaints and disputes committee, the steering committee has amended the Agreement website. It further expects that information-sharing between companies about priority risks<sup>5</sup> will lead to undertaking more collective activities and improvement projects addressing such risks, ensuring that the needs of companies can be better met.

Although there are a growing number of initiatives that address the issue of living wage, both within and outside the Agreement, the parties consider it unrealistic to expect a living wage to be paid across the entire production or supply chain by 2020. Nevertheless, a living wage remains one of the main issues of concern for the parties and companies affiliated with the Agreement. In 2019, the Task Force for the Living Wage Collective Project defined the following long-term objective<sup>6</sup> for the Agreement with regard to living wage in its 'Theory of Change': 'Parties to the Agreement, participating companies and supporting organisations are actively contributing to an industry-wide transformation of the system, aimed at reducing the wage gap

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<sup>5</sup> As stated under 1) activities related to due diligence

<sup>6</sup> At the time of writing, no end date had been set for this long-term objective.

between the statutory minimum wage and living wage estimates.’ That is the focus of the activities undertaken thus far and of planned activities going forward.

The parties agree with Avance that it is important to involve more companies in collective projects and that these projects must propose ways to address priority risks that companies cannot resolve entirely and/or on their own. They are aware of the importance of the enabling environment in production countries and will take this factor into account when implementing collective projects, for example by lobbying local authorities.

### **3) Cooperation (both Dutch and international) and a level playing field**

#### *Arrangements under Agreement*

*‘The Parties will endeavour to ensure that the proportion of enterprises which have signed the Declaration two years after signing the Agreement is 50 percent and continues to rise thereafter, eventually reaching 80 percent by 2020.’ (p. 6)*

The parties identified a special role for the national government in terms of international cooperation and the importance of a level playing field. Under the Agreement, the national government, acting in cooperation with the parties, commits itself to promoting multi-stakeholder cooperation in the garment and textile sector of the European Union, with the aim of creating a level playing field (in the EU).

#### *Conclusions and recommendations in midterm evaluation*

The midterm evaluation examined both internal cooperation under the Agreement and international cooperation with companies and other textile initiatives.

With regard to cooperation under the Agreement, Avance concludes that the parties and companies needed time to get to know one another and familiarise themselves with the others’ roles and areas of expertise. Parties and companies are now however increasingly reaching out to one another and that trust between the parties and companies has increased steadily. There is, however, a need for more clarity about roles and responsibilities and for targeted mobilisation of capacity on the part of both the secretariat and the parties. Avance also believes that cooperation can be made more efficient by having the working groups focus more specifically on the action plans of individual companies.

With regard to international cooperation and the commitment to a level playing field, Avance calls the target of representing eighty percent of the market by 2021 too ambitious, asserting that this can only be achieved by teaming up with major international garment and textile brands. However, international brands active in the Dutch market have made it clear that they are not always keen to join national initiatives. Avance recommends exploring alternative forms of cooperation in order to increase leverage in the value chain, for example by sharing production locations or collaborating on specific improvement projects.

Some lobbying activities have been undertaken at EU level and in production countries, but there is potential to do more in that regard.

#### *Response of steering committee*

The steering committee regards mutual cooperation under the Agreement as an important prerequisite for achieving the Agreement’s objective and will adopt Avance’s recommendations to intensify internal cooperation. Activities, whether or not they are developed by working groups, will focus more closely on addressing identified priority risks and on creating impact in companies’ production chains. Working groups that offer support in such areas as monitoring & evaluation, international cooperation and communication will continue in their present form. In addition, the next annual report will cover the efforts and results of the parties to the

Agreement, in addition to the collective efforts and results that have been achieved. This approach should lead to a better understanding of the role and responsibility of the parties to the Agreement.

With regard to promoting international cooperation and working towards a level playing field (in the EU), the steering committee has drawn up an alternative strategy to increase leverage in the value chain, in line with the recommendation made in the midterm evaluation. Efforts will be made to cooperate with at least eighty percent of the Dutch market by:

1. promoting alliances with like-minded initiatives in the garment and textile sector, such as the German Textilbuendnis and the Sustainable Apparel Coalition, and by seeking to align these initiatives more closely with the OECD Guidelines
2. promoting cooperation with international garment and textile brands at factory or regional level (e.g. in projects), based on insights from the Open Apparel Registry and other sources
3. promoting EU-wide cooperation on making the garment and textile sector more sustainable by sharing good practices with EU partners and by exploring the scope for an EU policy dialogue to ensure a level playing field.

#### **4) Other areas**

Avance's other recommendations address the Theory of Change<sup>7</sup> and the role of the consumer.

##### *Arrangements under Agreement*

Neither topic is addressed in the Agreement.

##### *Conclusions and recommendations in midterm evaluation*

Avance recommends that the Theory of Change will be elaborated further, in particular the assumptions and the pathway related to the strategy for international cooperation and the creation of a level playing field. Avance also recommends that the Theory of Change be used to set up a monitoring framework for measuring the progress of the Agreement towards change.

As for the role of consumers, Avance confirms in the midterm evaluation that consumers are important actors but recommends staying focused and refraining from additional consumer awareness activities. Avance questions in its evaluation the effectiveness of the Agreement as a tool in this regard.

##### *Response of steering committee*

The steering committee will adopt the recommendations regarding the Theory of Change. Implementation has been entrusted to the working group on monitoring and evaluation. It will also consider the way in which tangible results in the chain can be reported.

Regarding the role of consumers, the steering committee recognises the important role that consumers can play in making the garment and textile sector more sustainable. Under the Agreement, consumers have access to more information as companies grow more transparent about their value chain and the risks they encounter there, making it possible for consumers to make more sustainable choices. In keeping with Avance's recommendation, there will be no additional activities undertaken to raise consumer awareness.

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<sup>7</sup> The Theory of Change is a diagram showing the change process that the Agreement is pursuing with its activities.