

## Corona Guidance linked to the AGT Due Diligence Questionnaire

In this document you can find content extracted from already published guidance documents of several MSI's on how to cope with the Corona crisis in a responsible way. Extracted content is based on and in line with the joint statement related to the Corona crisis of several MSI's including the Agreement on Sustainable Garments and Textile (AGT) and the ILO statement see <https://bit.ly/2VZFQZY> for full statement. For your convenience the relevant content of used documents has been linked to corresponding questions in de AGT Due Diligence Questionnaire. The document functions as a loose 'Corona-annex' to the questionnaire.

The consulted documents and links are listed below:

- <https://www.amfori.org/resource/responsible-purchasing-practices-times-covid-19>
- <https://betterbuying.org/wp-content/uploads/2020/04/Better-Buying-Special-Report-COVID-19-Guidance-for-Brands-and-Retailers.pdf>
- <https://www.ethicaltrade.org/blog/eti-publishes-guidance-to-apparel-and-textile-members-payment-orders-to-workers>
- <https://www.fairlabor.org/report/protecting-workers-during-and-after-global-pandemic>
- <https://www.fairlabor.org/blog/entry/country-specific-updates-provisions-workers-response-covid-19-pandemic>
- <https://www.fairwear.org/covid-19-dossier>
- <https://api.fairwear.org/wp-content/uploads/2020/03/Fair-Wear-Impact-COVID-19-on-garment-supply-chains-200420.pdf>
- <https://www.textilbuendnis.com/en/covid-19/>

(list is almost identical to the links part of the joint MSI statement)

Below please find a number of selected questions out of the due diligence questionnaire and the added guidance.

### Policy

#### **1.1.1.10 Do you pay attention to purchasing practices in the IRBC policy?**

COVID-19 has massively disrupted the current way of doing business. While the immediate effects of the crisis have been severe, the situation offers a unique opportunity to rebuild structures in a more sustainable and fair way. A key point of attention will be building functioning social protection floors for workers, including unemployment benefits. **Fair and collaborative relationships between retailers, brands, and suppliers, as well as prices that cover the cost of responsible production, should form the foundation of future global supply chains.**

Therefore it is important to take the following responsible sourcing decisions in mind:

- Maintain frequent and transparent dialogue with all supply chain partners on sourcing decisions and look for collaborative solutions. No unilateral decisions should be taken.
- Honour your obligations and pay in full for orders completed or in progress.
- If orders cannot be completed prioritize covering labour costs, as well as materials or other costs that have already been incurred.
- Work hard to minimise the ongoing impact upon workers who will already be facing difficult circumstances.
- Collaborate with suppliers on orders for upcoming months to identify alternatives to cancelling orders and treat order cancellations as a last resort.
- Anticipate changes or delays in production and be flexible about delivery dates, payment terms, and financial liability.

- Do not terminate the business relationship with your supplier without first having discussed scenarios and solutions with your supplier. If exit is unavoidable ensure that workers are protected and paid and take a responsible exit strategy into account.
- Work closely with suppliers including raw material suppliers to collaboratively plan and secure capacity needed and provide updated forecasts.

## **Integration in Organization**

### **1.2.2 Is the IRBC policy supported and communicated by senior management?**

We understand garment brands and retailers are facing extremely difficult times and are focused on keeping business afloat. Despite these challenging circumstances, companies must continue to uphold principles of responsible business conduct. This includes understanding how their decisions during the crisis will impact workers in their supply chain and doing everything they can to mitigate negative impacts.

Responsible Business Conduct is the only route that will ensure business relations can be strengthened during a time of crisis. This will not only ensure business continuity where possible but safeguard human rights and enable human prosperity across global value chains. Indeed, all actors in the global value chain will need each other. In other words, dialogue, solidarity and collaboration will be key.

Senior management can show its support by among others keeping the IRBC team or human rights/sustainability/ compliance staff intact to support recovery that is socially, economically, and environmentally sustainable.

### **1.4.1 Do you monitor the working conditions of > 75% of your CMT production sites?**

Monitoring of suppliers via audits (if possible) or via other means remains is of great importance. Workplace monitoring programs ensure all standards are respected, including putting in place all necessary occupational safety and health precautions to protect workers.

Brands should maintain clear and constant communication with suppliers and factories, about compliance with labor-related pandemic government decrees and requirements and to ensure factories treat affected workers or workers in quarantine at least according to local laws and guidelines.

Brands should work with their suppliers to identify existing financial support provided by local authorities and make that information available to workers.

### **1.5. Is IRBC part of the conversation with your suppliers?**

Maintain frequent and transparent dialogue with all supply chain partners on sourcing decisions and look for collaborative solutions. No unilateral decisions should be taken.

## **Risk identification and prioritization**

### **2.2.1.1 Have you identified risks in your production or supply chain for each individual country and/or region?**

Over the last years you have familiarized yourself with doing due diligence. Doing due diligence means knowing your supply chains and its risks and addressing the most severe risks in your supply chain. The COVID-19 outbreak has in most instances affected this, so it is very likely that the most severe risks in your supply chain have changed.

Therefore it is important to familiarize yourself with country and regional developments via:

- <https://www.fairlabor.org/blog/entry/country-specific-updates-provisions-workers-response-covid-19-pandemic>

and

- <https://www.fairwear.org/covid-19-dossier/covid-19-guidance-for-production-countries/>

### **2.2.1.5 Have you identified the risks of your purchasing practices?**

Companies should carefully consider all potential ramifications in the supply chain when taking purchasing decisions. This includes seemingly minor purchasing decisions, which may in fact have a domino effect in the value chain. Effective communication channels with producers and intermediaries as well as with trade unions and civil society groups will be crucial to understanding any possible negative impacts, and collaborative dialogue will provide for mutually acceptable solutions.

During this time of crisis, but also going forward, companies will be scrutinised on their purchasing practices, and criticized when they, for example, trigger force majeure clauses to halt payments to business partners. Ultimately, non-responsible business practices will damage companies' reputations, putting them at risk to lose their social license to operate.

Consider possible impacts on workers while making purchasing decisions. This could range from illegal layoffs, non-payment of wages or unsafe working conditions.

Responsible retrenchment requires companies to ensure that workers are treated according to the workplace, legal, and collectively bargained standards in the event of retrenchment, temporary suspension of operations, or closure.

Consider potential impacts on logistics. Companies should also communicate with their logistics partners and allow them to apply responsible business practices. For example, truck drivers are under pressure to deliver goods but are facing many delays at borders which could result in non-adherence to applicable rest times.

**Additionally consider supporting supply chain business partners that are struggling in whichever way you can**, potentially in collaboration with other brands/retailers or local partners and local government and possibly in consultation with trade unions and other local stakeholders. **Ways to consider include:**

- Brands should consider early payment and not withhold payments to suppliers as workers need money for medication, food or to survive periods of isolation. Brands can also consider to pay a portion of orders that have not been cut and future orders that are affected by changes in volume, have delayed shipping deadlines, or are on hold.
- Consider prioritizing orders based on real demand. Accept extended lead times and push back sales meetings to allow for later delivery. Investigate whether slowing down capacity and spreading orders over a longer period is an option. Or whether some orders can be split or prioritised over others.
- Secure the cash your company needs in order to cover contractual obligations, including accounts payable with suppliers. Because your company's own cash flow is likely also suffering, you should use financial reserves/buffers, explore government support, liquifying assets, issuing corporate bonds, drawing down credit, and/or securing loans as needed to cover your operational costs and accounts payable.
- Shipping logistics challenges, delays in receiving raw materials, and other backlogs may have resulted in delays in goods exiting factories or arriving at your stores/distribution

centers. Do not penalize suppliers for delays and accept alternative shipping methods and associated costs.

- Work closely with suppliers to plan and secure capacity needed and provide updated forecasts. Prepare for business recovery now by taking inventory of all available stock and getting needed materials in stock now. Place orders early in anticipation of global supply chains becoming overwhelmed. Plan raw materials ahead and book transportation on time.
- Obtain the cash necessary to pay upfront or upon delivery for new orders. Long payment terms likely be impossible during the recovery phase and should not be part of a sustainable business plan. Expect to pay in advance, pay on delivery, or secure letters of credit for suppliers.

#### **2.2.4 Have you prioritised all the risks and damage/impacts identified by severity and likelihood? ! Explain!**

The impact of COVID-19 has magnified existing inequalities, systemic vulnerabilities, and challenges in global garment supply chains. The health and livelihoods of millions of garment workers and their families - who often cannot rely on savings, loans, or public safety nets - are at risk. The majority of garment workers are women, often concentrated in low-pay, low-power positions, underrepresented in unions and with additional unpaid child, elderly and sick care duties. **COVID-19 has put them at a particular risk, not only for their immediate health but also for their immediate and long-term financial situation.**

For workers, one of the biggest impacts of the pandemic is on their **wages**. In many garment producing countries, factories are forced to (temporarily) stop production: because they are forced to do so by their governments, because workers are quarantined, or because they lose orders due to problems further down the supply chain (e.g. shops closing, limits on transportation). During such stoppages, many workers are without income. Even if local governments require employers to pay workers regular wages during work stoppage, workers might not get what they are legally owed. For example, most garment workers in China and Eastern Europe are paid by piece-rate. They may not receive any pay since there was no work.

Sudden termination, **lack of severance pay, inadequate social security, and health insurance**. Many factories face bankruptcy. Governments may not have measures in place to help them. Workers will thus not get their dues and may not even be given notice. In China, there have also been cases in which a factory did not go bankrupt, but workers were still fired because the employers could not pay wages during work stoppage. The factories may eventually hire them back, but the workers will have lost their wages and severance pay. Temporary workers without proper contracts, which are predominantly women, are especially at risk. They will be the first ones told to stop working. In cases where workers are not fired, they may be forced to take unpaid or annual leave. Many workers are not covered under social security or health insurance. If they contract COVID19, they will not have enough money to pay for treatment. Many manufacturing countries do not have the healthcare infrastructure needed to deal with a pandemic of this scale, and workers lack access to basic medical care. When there is no paid sick leave or pay during quarantine, there can be an increased risk. If an infected worker goes to work, he/she will infect others; if he/she does not go to work, he/she will suffer financially.

Some workers access their health care through their employer. Losing their jobs or stopping work may end their access to health care. This is especially dangerous for those workers who rely on factory nurses to provide their healthcare. During a pandemic, workers may lose access to services deemed 'non-essential' such as sexual and reproductive healthcare and maternity care.

## **Occupational health and safety**

Besides the risk of losing income, workers also face a higher risk **of unsafe workplaces and a huge risk of infection as they work at labour-intensive factories**. Many factories do not have a good ventilation system. Workstations are usually very close to one another. There is sometimes a lack of facilities for workers to wash their hands frequently. Even if the factory has proper handwashing facilities, there is no guarantee they will let workers take time to wash their hands. Where workers are paid on piece rate, they may not want to take the necessary hand-washing breaks. Many garment factories provide face masks against dust – as they should. These will not always block the corona virus but may give a false sense of security that increases the risk of infection.

Often workers use crowded forms of transportation in order to travel to and from work. Factories that remain open should take this into account. If the government does not pay for the testing and most workers do not have health insurance or paid sick leave, a worker with mild flu-like symptoms must go to work. This worsens the worker's condition, while also increasing the risk of spreading infection.

Many schools and daycares are closed, and families are without childcare. This puts workers in a position where they are faced with the choice of who stays home to watch the children. This predominately falls to women, which has financial effects for them, but also has a risk factor for the other partner who now might have to work extra hours or take on increasingly precarious work in order to continue supporting the family. This situation is especially difficult for single parents, which are mostly women, who have no support with childcare, and yet must still work in order to provide for the family. Without resources, they may be compelled to put themselves or their family in dangerous situations.

It is foreseeable that we will be in a global recession for some time because of COVID-19.

**Women**, many of whom left the labour force during COVID-19, may find it difficult to re-enter. Previous crises have shown that, financially, men recover much quicker than women. COVID-19 will not only increase women's care burdens but will have a longer-term effect on women's economic empowerment. The power imbalances between the predominantly male managerial and supervisory staff and

the female garment workers are exacerbated by a situation where workers fear losing their jobs; this can create the potential for quid pro quo sexual harassment. These vulnerable workers may feel unable to refuse unwanted sexual advances to protect their job or to ensure they are given hours/paid for the hours they worked.

Migrant workers travelling home, or mass layoffs of factory workers, can create an environment where workers are travelling long distances (in some cases by foot). In other crises, migrant women in particular, have experienced an increase in sexual violence when on the move. Workers who lose their jobs suddenly and without pay, will be at-risk for extreme forms of exploitation including human trafficking, scam recruitment offers, and sexual exploitation.

## **Goals and Actions**

### **3.1.13 Have SMART goals been formulated with regard to freedom of association?**

Suppliers should provide a mechanism to address questions from workers and involve them in decision making. Workers must have access to a trade union or worker representation to collectively respond to measures or to raise issues. Employers have a responsibility to inform workers of relevant information concerning COVID-19. In case of (temporary) shutdown or significant changes to company policies, measures and working practices must be negotiated with worker representatives. Social dialogue is a key tool to be used during this time to ensure that both the interests of workers and companies are heard and addressed.

### **3.1.21 Have SMART goals been formulated with regard to health and safety in the workplace?**

Make sure safety measures to contain the risk of infection are implemented at the work floor. Workers should be informed about their rights and provided correct information on preventive safety measures. Factories should take extra measures to ensure safe forms of travel to and from work, ventilation, adequate spacing between workstations, hygienic work floors and toilets, appropriate hand-washing facilities, breaks and facemasks. Information should be provided on how to prevent infection; worker representatives and trade unions should be collaborated with to help ensure all workers receive and understand this key information.

Workers should have access to safe transportation to the factory.

Suggest factories provide workers with contact information for local civil society organisations that can help them with additional concerns they may be facing at this time. Examples include: support for victims of domestic violence and sexual assault, sexual and reproductive healthcare, food packages or medical supplies.

Several affiliated companies have successfully transitioned to the production of personal protective equipment (PPE). We urge buyers to assist facilities with such transitions, keeping in mind the need for enhanced health and safety precautions during production.

## **Stakeholder Consultation, Grievance Mechanisms and Communication**

### **4.1 Are stakeholders consulted on IRBC themes?**

Company advocacy on behalf of worker protections is critical at the national and multilateral levels. Companies should make it clear that they support the inclusion of worker protections in relief and stimulus efforts and expect multilateral organizations to require stronger social protection schemes in countries that receive assistance as a result of the pandemic. Their efforts will be needed during the pandemic and should be continued after.

#### **4.1.2 Is consulting workers part of your audit and monitoring process?**

Listen to the voices of workers through their trade unions, social dialogue mechanisms or elected worker representatives.

#### **4.1.3 Was information from stakeholders incorporated into the identification and prioritisation of risks and damage/impacts?**

Make the effort to understand the local context including the current situation and local measures taken. Communicate with local producers to understand if they are operational or not and discuss specific challenges they are facing. Engage also with trade unions and local stakeholders to get their perspective.

#### **4.2.1: Do you encourage / require complaints mechanisms at your suppliers? Are these directly experienced and legitimate by those directly involved?**

Factories should have a mechanism in place to address questions from workers and involve them in decision making. Workers must have access to a trade union or other worker representation to collectively respond to measures or to raise issues. Workers should have access to a channel to support remedy of problems related to their rights. Grievance channels should be accessible to workers even if factories have closed, or the workers have been retrenched.

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with worker representatives. Social dialogue is a key tool to be used during this time to ensure that both the interests of workers and companies are heard and addressed.

**4.3.5 Do you inform external stakeholders about how you integrate IRBC and due diligence in your organization?**

We call on companies to communicate transparently about the measures they take in this crisis to ensure accountability and peer learning.