

Response to final evaluation of the Dutch Agreement on Sustainable Garments and Textile

January 2022

Introduction

In January 2022, KIT Royal Tropical Institute published its independent final evaluation of the Dutch Agreement on Sustainable Garments and Textile (AGT; hereafter: the Agreement). The evaluation was commissioned by the AGT steering committee. The evaluation considers the effectiveness of the Agreement in achieving its objectives and how well the various tools used during the course of the Agreement contributed to that effectiveness.

The Agreement commenced on 4 July 2016 and ended on 31 December 2021. Its objective was to make substantial progress towards mitigating or eliminating specific International Responsible Business Conduct risks in the garment and textile production chain within a period of three to five years for groups experiencing adverse impacts. Cooperation between companies, NGOs, trade unions and the government made it possible to:

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

The Agreement participants further actively sought international cooperation so as to maximise their impact and create a level playing field. The Agreement thus supported companies in applying due diligence, i.e. 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 (OECD Guidelines) and the UN Guiding Principles on Business and Human Rights (UNGPs).

Objectives achieved

The big question is, of course, whether the Agreement has made a difference and achieved its objectives. KIT has taken a critical look at the progress made under the Agreement and its answer is both 'yes' and 'no'. The AGT steering committee endorses KIT's conclusions and refers to its report for further details. It would, however, like to highlight four factors that have been critical to the Agreement's success and shortcomings. Cooperation in other sectors may well benefit from these comments in the future.

Trust

Ask the parties involved in the Agreement what they are most proud of after five and a half years and chances are they will say the much greater level of trust between them. At the start, the parties were somewhat apprehensive or even slightly suspicious of one another, but mutual trust gradually increased. The authorities, NGOs, trade unions, industry associations and companies got to know and appreciate one another and dared to make a leap of faith. It has taken time to get to this point, and the steering committee cannot emphasise enough how important this basis of trust has been for making progress, reaching consensus and digging deeper into such issues as living wage, supply chain transparency, the response to the COVID-19 crisis in the sector and other 'complex' issues. The greater level of trust between the parties has also been an important factor in fostering a shared commitment and in working together towards

making an impact in the supply chain. KIT recognises this in the sharp increase in collective projects towards the end of the Agreement, for example. Companies, NGOs, trade unions and local stakeholders in production countries are working together in these projects to tackle problems in the supply chain.

Due diligence

One of the obligations that companies had under the Agreement was to perform due diligence in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. In other words, they were obliged to analyse the risks that they encounter in their supply chains. This was probably easier said than done, as the guidelines are exhaustive and very technical in nature. Making these guidelines comprehensible and practicable for large and small companies, many of which were completely unfamiliar with due diligence, was therefore one of the main objectives and starting points of the Agreement.

Considerable time and effort went into developing an assessment framework¹ for participating companies and supporting documents, workshops and training in various aspects of the due diligence process. Fortunately, these efforts have proved valuable. In its 'alignment assessment',² the OECD commented favourably on the extent to which the assessment framework for companies aligns with the OECD Guidelines. KIT has also concluded that the majority of participating companies rate the assessment framework and supporting tools as clear-cut and valuable. Moreover, the final evaluation shows that this has led to companies making significant progress on all the steps that comprise the due diligence process. Important improvements include greater involvement on the part of board-level management, changed procurement practices, a better understanding of risks in the supply chain, more knowledge of sustainable options for addressing these risks, and improved external communication of due diligence efforts.

As KIT also concludes, one point for improvement would be to involve local stakeholders, like local trade unions and local NGOs more closely in the due diligence process. This would help companies to identify risks in the supply chain and to address them effectively.

In the steering committee's view, the OECD and the participating companies make clear in their assessments that adhering to the due diligence provisions in the Agreement can lead to changes in the everyday practices of both large and small companies, and thus to results. The steering committee believes that there are a number of important prerequisites: the due diligence process must be sufficiently binding in nature, and there must be enough time and leeway to support and guide companies in their efforts (carrot and stick approach).

Transparency

In terms of transparency, KIT has noted both favourable and unfavourable developments. On the positive side, the participating companies achieved change and made progress on transforming the culture around supply chain transparency. Five and a half years ago, it was still unthinkable for most companies to be transparent about the suppliers in their chain, but this now appears to have become an almost universal practice. Companies have become comfortable with sharing information about their suppliers with the outside world through the Aggregated Production List under the Agreement. The list grew over the past three years from 2,800 first-line production sites

¹ The complete assessment framework can be found [here](#).

² The OECD Secretariat carried out an Alignment Assessment in 2020 in which it evaluated the extent to which the due diligence standards and review process of the AGT align with the due diligence recommendations of the OECD Garment and Footwear Guidance.

(mainly cut-make-trim factories) in 2017 to over 4,700 sites (cut-make-trim factories, but also fabric suppliers, dye houses and spinning mills) in 2020. Interestingly, more and more companies took the plunge and even went a step beyond their supply chain transparency obligations under the Agreement, for example by publishing their individual supplier lists on the Open Apparel Registry or signing up to the Transparency Pledge. The steering committee considers this vastly increased level of transparency to be a major breakthrough in the sector for two reasons. First of all, for a company to mitigate or tackle risks, it must be familiar with its supply chain. Second, by communicating about their suppliers to the outside world, companies show that they are vulnerable to possible risks among their supply chain partners.

At the same time, however, KIT has noted that a lack of transparency in another area led to frustration and stalled progress. Working with aggregated data made it difficult – for NGOs and trade unions in particular – to determine what was happening in the supply chain and on which issues and to which companies they could offer their expertise. This problem gradually diminished as companies and parties got to know one another better, but in KIT's view, it continued to be an obstacle. The partners in any new multi-stakeholder alliance should therefore discuss ways to increase the transparency regarding companies' individual due diligence efforts.

Impact

One of the aims of the Agreement was to prevent and tackle any adverse impact that the participating companies had on the production chain. The Agreement was only partially successful in this respect. The final evaluation shows that its success was mainly due to progress on issues that the participating companies themselves could influence (e.g. more sustainable raw materials) or that are easy to measure (e.g. occupational health and safety). The share of more sustainable materials rose to just over 50% by 2020. This led directly to reductions in water consumption and carbon emissions, as well as to a sharp increase in the use of more animal-friendly materials. The impact on other issues was less pronounced or could not be demonstrated or verified, according to KIT. The steering committee would like to share some thoughts about this lack of demonstrable impact with any future, similar multi-stakeholder initiatives.

The mid-term review had already raised the point that the Agreement would likely not be in place long enough to bring about substantial improvements for those experiencing adverse impacts. The main reasons were that companies had to spend the first few years learning how to perform due diligence and that it would also take time before they would be able to use their due diligence findings to tackle the adverse impacts in their supply chains. KIT reached the same conclusions.

KIT also noted that the Agreement has been successful in making due diligence a practical tool for companies. At the same time, the diffuse focus on measuring changes in the supply chain meant that these impacts remained 'invisible' or received too little attention.

According to KIT, the collective projects carried out under the Agreement were an important means of generating impact. The three completed projects evaluated by KIT were relatively small in scope and that meant that their impact was limited. KIT's conclusion is that project scalability should have received more attention.

Scalability can be improved by emphasising this factor more when developing collective projects and by engaging with other multi-stakeholder initiatives to leverage the impact. The steering committee notes that some of these conclusions have already been incorporated into projects that started at a later date and are not yet completed.

Unfortunately, the ten projects that are still ongoing and the six projects in the pipeline could not be included in KIT's evaluation. In the ongoing projects, about thirty companies are working to leverage a positive impact on various issues, including freedom of association, working conditions, living wage, and water, energy and chemicals. The projects are building on the lessons learned from the completed projects.

Concluding remarks

The steering committee is proud of what has been achieved in the past five and a half years. The participating companies and parties, the chairperson, the secretariat and the various partners and supporting organisations have all worked very hard. The steering committee greatly appreciates their efforts.

While the final evaluation is correct in pointing out areas for improvement, there is an overall sense of satisfaction about the steps that the parties have taken together. The steering committee therefore hopes that the lessons learned from the Agreement will be incorporated into the current negotiations for a new multi-stakeholder agreement in the textile sector, which most of the existing parties will join.