

Agreement on Sustainable Garment and Textile

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Vereniging van
Grootwinkelbedrijven in
Textiel

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Agreement on Sustainable Garment and Textile

The Parties, as stated at the end of this text, have agreed as follows in this Agreement¹:

Whereas:

- enterprises generate jobs and prosperity, innovation and economic growth. As manufacturers, exporters, investors, buyers and joint venture partners, the Dutch business community can make a major contribution towards achieving sustainable growth and decent employment in production or supply chains² outside the Netherlands;
- the globalisation of the textile chain also means that enterprises operating in the Dutch garment and textile sector can be directly or indirectly involved in its adverse impacts on people, animals and the environment elsewhere in the world;
- the UN Guiding Principles on Business and Human Rights (hereinafter: UNGPs), the OECD Guidelines for Multinational Enterprises (hereinafter: OECD Guidelines), and the core labour standards of the ILO that form part of them, are the starting point for international responsible business conduct;
- in addition to the above, the Parties also consider "animal welfare" to be covered by international responsible business conduct;
- the UNGPs constitute for the government a "duty to protect human rights", which also extends to removing obstacles preventing enterprises from putting their "responsibility to respect human rights" into practice;
- in 2015, the United Nations (UN) approved the development agenda for 2015-2030. The agenda consists of 17 Global Goals. Collaboration between ministries and with relevant players (e.g. enterprises and civil-society organisations) is essential in the attempt to achieve the Global Goals from and by the Netherlands;
- while the fact that the Dutch garment and textile sector has about one percent of the world market is significant in terms of the extent to which the sector can make an effective contribution to the changes wished for and required in international production and supply chains (leverage), it does not detract from the Parties' determination and duty to contribute to the necessary sustainable transition in the chain;
- since 2011, the Dutch textile sector has joined forces to take the initiative in this respect, and in 2013, it presented an "Action Plan for the Sustainability of the Dutch Textile and Garment Sector", which was eventually signed by 126 enterprises, which together represent almost 50 percent of Dutch garment and textile sales and some of which also operate on international markets;
- the Dutch parliament has passed a number of motions³ on sustainability and transparency in the garment and textile sector;
- in 2014, at the government's request, the SER published a recommendation concerning agreements on international responsible business conduct calling for, among other things, sectors and enterprises to take the initiative to enter into agreements with the government, trade unions and civil-society organisations to address robustly any risks of breaches of human rights and damage to the environment in the chain⁴.
- agreements on international responsible business conduct offer businesses the opportunity at sector level, together with the government and other parties to find

¹ In case of discussions about the accuracy of the English translation or interpretation of this text, the official Dutch text prevails.

² For a definition, see Appendix 2.

³ For example, the Braakhuis motion, Lower House, Session 2011-2012, 26485, No. 135; the Voordewind motion, Lower House, Session 2014-2015, 34000 XVII, No. 30; the Thieme and Van Gerven motion, Lower House, session 2013-2014, 28286, No. 753 and the Van Gerven motion, Lower House, session 2013-2014, 28286, No. 758.

⁴ SER (2014) *Advies IMVO-convenanten*, Publ. No. 2014/04

solutions for these complex problems in a structured way, thereby increasing their influence ("leverage"). These are agreements between several parties who undertake to achieve tangible results based on the above-mentioned international standards;⁵

- garment and textile was identified as a sector with an increased risk of breaches of human rights, environmental standards and animal welfare according to the 2014 KPMG study into risks on adverse impacts in Dutch industry sectors commissioned by the Dutch government;
- the government expressed a wish to enter into an agreement on international responsible business conduct with the textile sector and, in response, the sector stated that it shared this wish⁶;
- trade unions, civil-society organisations and their local partners representing the employees and communities who are directly impacted in the production or supply chain⁷, are essential partners in the process of formulating and implementing solutions.

The aims of the arrangements in this Agreement are⁸:

- to achieve substantial progress towards improving the situation for groups experiencing adverse impacts in respect of specific risks in the garment and textile production or supply chain within 3-5 years;
- to provide individual enterprises with guidelines for preventing their own operation or business relationships from having a (potential) adverse impact in the production or supply chain and for resisting it if it does arise;
- to develop joint activities and projects to address problems that enterprises in the garment and textile sector cannot resolve completely and/or on their own.

This Agreement has a term of five years from the date of signature. The Agreement concerns the actions of Dutch enterprises or enterprises operating in the Dutch market⁹. This Agreement is also based on the OECD Guidelines and none of its provisions is intended to limit or conflict with the scope or the effect of the OECD Guidelines¹⁰. By entering into this Agreement, the parties are not endeavouring to restrict the market or reduce competition. It is not their intention to restrict competition on the garment and textile market to the disadvantage of consumers.

The Parties believe that, to ensure that the Agreement is representative and effective, it is essential for individual enterprises to sign a Declaration to the effect that they support the Agreement, share the objectives of the Agreement and will act in accordance with the provisions of Section 1 of the Agreement. Enterprises will be expected to examine their production or supply chain by appropriate means ("due diligence"). If any risks on adverse impacts are found, enterprises will be expected to take measures and seek

⁵ SER (2014) *Advies IMVO-convenanten*, Publ. No. 2014/04, p. 7

⁶ Lower House, Session 2012-2013, 33625, No. 32.

⁷ For a definition, see Appendix 2.

⁸ SER (2014) *Advies IMVO-convenanten*, Publ. No. 2014/04, p. 19

⁹ Garments account for approximately half of the turnover of the Dutch textile and garment sector, comprising consumer garments (40%), sportswear (5%) and work apparel (5%). The other half of the sector is equally divided between home textiles (25%) and technical textiles (25%). Approximately half of garment sales are made by non-Dutch enterprises operating on the Dutch market. Overall sector sales are made by trading and production enterprises, a large number of which are members of the three industry organisations. A small but growing proportion of sales is achieved by enterprises whose main activities are not trading in or manufacturing textiles and garments.

¹⁰ This means, inter alia, that subjects in the OECD Guidelines not covered by the Agreement will apply in full, that the scope of the responsibility of enterprises as defined in the OECD Guidelines will remain unchanged, that the application of the dispute resolution method selected will not exclude possible NCP procedures and that enterprises will continue to fulfil the expectation to make an independent public disclosure (in accordance with Section III of the OECD Guidelines) despite the confidentiality required in respect of the due diligence process, action plan and results.

collaboration and to issue a report. If an enterprise does not follow the recommendations or takes other, equivalent measures, it must provide sound reasons for doing so. The contribution of an individual enterprise will ultimately be assessed on the basis of what could reasonably and fairly be expected in the light of the specific circumstances of the enterprise concerned and taking account of the notion that the implementation of due diligence requires a learning process and that more can be expected of enterprises which are larger, exert greater influence on the production or supply chain and/or have more experience.

The Parties agree that, after agreeing on the text, they will spend three months contacting as many enterprises as possible to have them sign the Declaration:

- The industry organisations will actively canvass their members. Other parties will also use their networks and contacts to ask enterprises to sign the Declaration;
- The Parties regard this Agreement as “wider” and “deeper” than the action plan for the “Sustainability of the Dutch Textile and Garment Sector”. The Agreement is “wider” because it is entered into by four Parties (the Dutch government, civil-society organisations, trade unions and industry organisations) and “deeper” because it has a more binding nature. The Parties wish to transfer the Action Plan into the Agreement. Ongoing activities from the Action Plan can be included in the activities under the Agreement. The Parties will make every effort to ensure that as many signatories of the Action Plan as possible also sign the Declaration;
- The Parties will also contact enterprises which are not members of one of the three industry organisations in the sector, but which do trade in and/or manufacture textiles and/or garments in or via the Netherlands.
- In addition, the Parties will endeavour to coordinate existing or new initiatives aimed at achieving sustainability in the textile and garment sector in various countries (both bilaterally and involving the EU, the OECD and the UN), to make it easier for international enterprises operating on the Dutch market to participate in the Agreement – as is already, to some extent, the case with the Action Plan.
- The Parties will endeavour to persuade the maximum possible number of enterprises operating in the Dutch market but headquartered abroad to participate in the Agreement. In this connection, the parties consider it extremely important that the Dutch government should also encourage the foreign head offices of subsidiaries operating in the Netherlands to sign the Declaration, with a view to scaling up to EU level.
- The issues surrounding the garment segment of the garment and textile sector are similar to those in the home and household textile segment. The purchasing processes may differ, but many of the materials used are manufactured and processed in the countries where garment production is also based. Although the Agreement is beginning with the garment segment and also specifies target figures for coverage in this segment, it is specifically premised on involving enterprises in the home and household textile segment as well. To this end, the parties will also be specifically addressing the enterprises that sell home and household textiles on the Dutch market in 2016, both the enterprises that are members of the industry organisations and those that are not.

The Agreement will be signed by the Parties when:

- sufficient resources are available to fund the implementation of the Agreement on a long-term basis (see 5.3);
- at least 35 category A and B enterprises, together representing at least 30 percent of sales in the Dutch fashion and garment market, have signed the Declaration.

The Parties will endeavour to ensure that the proportion of enterprises which have signed the Declaration two years after signing the Agreement is 50 percent¹¹ and continues to rise thereafter, eventually reaching 80 percent by 2020.

The enterprises are divided into three categories, each with specific due diligence requirements in keeping with the size of the enterprises and depending on whether they buy directly from the production countries:

- A. Turnover > €25 million in garments and textiles or turnover between €2.5 and €25 million and buying at least 25% of their turnover directly from production countries;
- B. Turnover between €2.5 million and €25 million and buying less than 25% directly from production countries;
- C. Turnover < €2.5 million.

Details of the different due diligence requirements are provided in the due diligence guide (see Appendix 3).

Objectives in terms of numbers and market shares for signature by the enterprises are:

	2016	2018	2020
Total number	35	100	200
Total market share	At least 30	At least 50	80

At most two and a half years after signature of the Agreement, an independent evaluation (mid-term review) will be conducted to assess both the progress and the operation of the Agreement and ascertain whether it is possible or necessary to establish a supervisory board to oversee the Agreement. This will be followed, after five years, by a (final) review. If it is found on these occasions that the number of participating enterprises and/or the results do not meet expectations, additional measures can be taken. These can also be of a more binding nature, where it will be ascertained whether legislation and regulations would be an option.

Enterprises that sign the Declaration will benefit from doing so because they:

- will anticipate inevitable trends in social expectations with regard to international responsible business conduct and international chain responsibility in the garment and textile sector, so that they will be better prepared for the future;
- will be able, in this way, to put into practice their responsibility to prevent and reduce breaches of human rights, animal welfare violations and damage to nature and the environment in their production and supply chain;
- will be able to count on a wide social coalition of partners who will support them to the best of their ability in addressing these issues in the production or supply chain.
- will also be allowed to publicise their signature of the Declaration themselves;
- will be able to rely on the fact that best practices will be publicised in reports;
- will be able to join forces with parties to this Agreement to communicate the progress of the agreed actions, in keeping with the movement towards knowing and showing;
- may, in the event of information emerging about any alleged or actual involvement of their enterprise in undesired social effects in their production or supply chain, expect the Parties to the Agreement not to make this information public immediately. The Parties involved in the Agreement will only be at liberty to make the relevant information public if direct dialogue (both sides of the argument being heard), with the enterprise being given at least two weeks in which to respond, has failed to produce a satisfactory result. If the dialogue results in a

¹¹ N.B. This requires the involvement of enterprises on the Dutch fashion and garment market whose policy is decided in a head office abroad; Dutch enterprises together serve about 50% of the Dutch fashion and garment market.

substantive response from the enterprise concerned, this response will be included in any publication. The parties involved will also be able to agree among themselves to publicise both the information (once verified) and the enterprise's response to it. This arrangement will also apply in cases where one of the Parties to this Agreement wishes to make such information public in association with parties not involved in this Agreement. The arrangement will not apply if this information is already in the public domain;

- will have a simpler way of demonstrating that they satisfy the conditions for international responsible business conduct that apply when requesting financial support from the Dutch government in the area of international trade;
- will be able to participate in collective projects which have been or are being jointly developed as part of this Agreement by the Parties; only enterprises participating in the Agreement will be eligible for co-financing;
- will be able to make their presentation during sustainable procurement processes by public authorities more credible on the basis of their performance on international responsible business conduct;
- will investigate the possibility of eventually funding the cost of the Agreement by means of a sector-wide levy or collective contribution. Participating enterprises will obtain a reduction on this levy.

1. Overarching themes

1.1 Due diligence

Under the UNGPs and OECD Guidelines, enterprises bear a responsibility for preventing and reducing any adverse impact on people and the environment by their own operation or business relationships in the production or supply chain (see Appendix 7). The Parties regard the performance of due diligence as a first and necessary step on the way to achieving results.¹² Due diligence, as laid down in the UNGPs and the OECD Guidelines, is not a one-off event, but an ongoing activity.

The Parties agree that enterprises must conduct due diligence in order to put their social responsibility into practice. The Parties therefore expect individual enterprises that support the Agreement to sign a Declaration in which they state that:

- they will conduct a due diligence process, which is consistent with their size and business circumstances, within one year after signing the Agreement;
- they will present an annual action plan as part of their due diligence process to the secretariat of the Agreement on Sustainable Garment and Textile (hereinafter "AGT Secretariat", see also 5.2) for assessment/approval and declare themselves to be in agreement with the process of assessment, possible improvement and approval by the AGT Secretariat;
- in their annual action plan:
 - they will explicitly discuss:
 - the insight that they have gained into their production or supply chain through the due diligence process and the possible impacts in their supply chain in terms of the UNGPs and the OECD Guidelines;
 - how their own purchasing process (delivery times, pricing, duration of contracts, etc.) contributes to potential (risks of) adverse impacts and measures to be taken to mitigate them;
 - the policy and the measures they pursue with regard to the nine themes prioritised by the Parties and how they will participate in the collective projects formulated by the Parties for these themes which are consistent with the substantial risks found in these themes (see Section 2);
 - setting quantitative and qualitative objectives in terms of improvements for the duration of the Agreement, broken down into objectives after 3 and 5 years.
 - they will provide the AGT Secretariat with the following information, which the secretariat will treat as confidential:
 - from Year 1:
 - the countries where their products (Cut, Make, Trim (CMT) and vertically integrated enterprises) are manufactured;
 - for each country: the production locations (names and addresses) and production processes concerned and turnover (as a percentage of their own turnover and in euro);
 - from Year 2:
 - the raw materials used in their collections and the risks identified in the use of these raw materials.
 - from Year 3 at the latest:
 - the subsequent links in their production or supply chain (including raw material suppliers, spinning mills, weaving mills and dye works);

¹² For a definition, see Appendix 2.

The AGT Secretariat will treat the information from individual enterprises as confidential. The AGT Secretariat will use this information as follows: a) for publication on the Agreement website of a full list of suppliers to the enterprises which have signed the Declaration, without making it possible to link a supplier to one of the enterprises, b) to give an idea of the benefit of and need for collective projects; c) to provide an annual aggregated report for publication by the Steering Group and d) to establish an annual benchmark for each theme, showing their progress and the targets to be met.

- from the second year of participation, they will also report on the results of the previous year's plan and submit these reports to the AGT Secretariat for assessment, in which they account for the progress made, e.g. why it is or is not on schedule.
- If necessary to assist the Steering Group's decision-making process, the Steering Group may request anonymised and/or coded information on the action plans and progress reports from individual enterprises.
- they will agree to the procedure and rulings of the complaints and disputes mechanism (see below) which the Parties have established under this Agreement and to arbitration in the event that the quality of their action plan is still in dispute after the matter has been dealt with by the Complaints and Disputes Committee.

For the themes living wage and freedom of association companies will consult with local organisations. The Parties to this agreement will make a contact list of local organisations. Companies will, in consultation with the Parties, approach these organisations. This way, the companies will gain better insight into their supply chains and they can include the outcomes of this in their action plan. Local stakeholders will receive through the Parties and/or directly from the company feedback on the agreements made and the follow-up.

The companies will provide the requested information on the action plans in accordance with Appendix 3 and 4 of this Agreement. The Secretariat will make a proposal on this to be approved by the Steering committee.

Participating enterprises acknowledge the importance of public communication as described in the OECD Guidelines. After one year, Parties in the Steering Group will agree in detail which substantive information enterprises will disclose, also considering existing initiatives (e.g. the transparency benchmark, Global Reporting Initiative (GRI) and Rank-a-Brand). By Year 3 at the latest, participating enterprises will also be communicating individually with the public.

The Parties agree:

- To draw up a list in 2016 to clarify the extent to which enterprises' participation in existing initiatives (e.g. FWF, BSCI, ETI, SAC, ZDHC) complies with particular points in the arrangements made as part of the Agreement.
- To develop tools to help participating enterprises complete their due diligence process.
 - In line with the structure of the OECD's *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, specific guidelines will be developed for small and medium-sized enterprises. The Parties have already developed a Due Diligence and Purchase Practice Guide (see Appendix 3). This guide will be evaluated 12 months after the Agreement enters into force;

- Within the first six months after signature of the Agreement, the AGT Secretariat will prepare a list for every subsector of risks commonly associated with frequently used production countries to simplify the due diligence process for smaller enterprises. The difference between enterprises that source their products themselves from foreign manufacturers and enterprises that purchase their products solely via intermediaries, agents and importers will also be considered. To this end, questionnaires will be prepared, on the basis of which these enterprises will be able to arrive at an initial prioritisation of risks to be addressed and draw up a list of known measures that enterprises can take or initiatives which they can join (a type of sectoral CSR Risk Check) to tackle each risk theme. Consideration will be given to adopting the approach, familiar to many enterprises in terms of working conditions in the Netherlands, of producing an industry risk inventory and evaluation and health and safety catalogues [*arbocatalogi*].

1.2 Advice, assessment, monitoring

The Parties agree:

- to grant the AGT Secretariat authority in respect of the following tasks:
 - to act as a source of information on due diligence matters and provide feedback to participating enterprises preparing their action plan;
 - to organise training and support for enterprises in the area of due diligence. This can be provided by Parties involved in the Agreement or other experts;
 - to assist Parties to develop tools and activities which will help participating enterprises to conduct their due diligence;
 - to assess the quality and the annual progress of the action plans that these enterprises will be preparing as part of their due diligence. The criteria for assessing the action plans are as stated in Appendix 4 and are based on the following:
 - the OECD Guidance for Responsible Supply Chains in the Garment and Footwear Sector, viewed within the relevant context of the enterprise concerned;
 - a reasonable and fair approach to the specific circumstances of the individual enterprise concerned;
 - the careful prioritisation of activities, based on the questions below:
 - What is the likelihood of an adverse impact?;
 - How severe is that impact in terms of its extent, the number of people affected and the possibility of the consequences being irreversible?
 - specific ambitions and improvements and quantitative and qualitative goals for improving the baseline position of the enterprise, at least with regard to the “salient risks” encountered in the due diligence process;
 - the extent to which a demonstrable continuous and improvement process can be said to exist.
 - The AGT Secretariat will compare the enterprises’ quantitative objectives in respect of the nine themes, based on the Action Plans received. Enterprises with less ambitious objectives than could reasonably be expected given their size and circumstances will be asked to increase their efforts. When the AGT Secretariat assesses the quality of an enterprise’s action plan as unsatisfactory, the enterprise will be given the opportunity to prepare a modified plan based on the AGT Secretariat’s assessment within a reasonable period, generally two months.

- Any dispute between the AGT Secretariat and an enterprise with regard to the quality of its action plan will be resolved through the intervention of the independent Complaints and Disputes Committee;
- to carry out random verification of information supplied and improvements reported by enterprises, both individually and within collective projects. The secretariat will be provided with sufficient resources to perform this task and will be able to use local employees in production countries through the networks of the Parties to the Agreement;
- to assist the Parties in the review, partly based on the action plans submitted by the enterprises, of opportunities for collective projects to achieve the objectives set in Section 2 for the nine themes prioritised by the Parties;
- to encourage and monitor the participation of enterprises in the collective projects;
- If the secretariat receives a signal from a stakeholder about a particular production location, this information will be passed on to the companies concerned and will be reported to the Steering Committee as follows: in which country, in which production location and which supplier this signal plays, what content it has and what follow-up will be given to it.
- The AGT Secretariat will contact subsidiaries of companies with their head office outside the Netherlands and send the Steering Group an annual report on the progress made in terms of inducing these companies to participate in the Agreement.
- The preparation of an annual report for publication by the Steering Group (see 5.1) of results achieved and specific improvements in the production or supply chain, in which the information submitted to the AGT Secretariat by the enterprises is shown in aggregated form and cannot therefore be traced back to individual enterprises. The information on individual enterprises will not be available to the Steering Group either;
- Progress on the nine priority themes will be monitored for the mid-term and final review by taking random samples in collaboration with local partners and civil-society organisations.

1.3 Complaints and disputes¹³

The Parties agree:

- To establish an operational complaints and disputes mechanism not later than one year after entry into force of the Agreement;
- To appoint an independent Complaints and Disputes Committee for this purpose, which will establish its own procedure;
- This procedure will be based on UN Guiding Principle 31 on the Effectiveness of Non-Judicial Grievance Mechanisms;
- The Steering Group will evaluate the operation of the complaints and disputes mechanism two years after it has come into effect. In this evaluation, the benefit of and need for an independent investigation verification option for the Complaints and Disputes Committee will be reviewed in the light of experience.

Composition and decision-making process of the Complaints and Disputes Committee:

- This Complaints and Disputes Committee will be made up of three members: an independent chair appointed unanimously by all the Parties to the Agreement, a

¹³ A complaint is an issue between stakeholders who are not directly involved in the Agreement (e.g. employees or neighbours of a production plant in the supply chain) and an enterprise that is a signatory to the Agreement concerning injury, loss or damage for which the stakeholders consider the enterprise to be fully or partly liable.

A dispute is an issue between all of the Parties to the Agreement and an enterprise participating in the Agreement concerning the quality of the latter's action plan.

member with entrepreneurial expertise in the garment and textile industry appointed by the industry organisations, and a member with expertise in the garment and textile chain appointed by all the trade unions and civil-society organisations involved in the Agreement;

- The Complaints and Disputes Committee will issue a ruling as speedily as possible, but in principle within six months at most, on any complaints and disputes submitted to it;
- The Complaints and Disputes Committee will reach its decisions by a majority of votes.

Procedure for dealing with complaints and disputes:

Disputes:

- By decision of the Steering Group, the AGT Secretariat will submit a dispute with an enterprise concerning (the quality of) its action plan and progress report to the Complaints and Disputes Committee;
- On the basis of a dispute, the Complaints and Disputes Committee will assess, after hearing both sides of the argument, whether an enterprise participating in the Agreement is acting in accordance with the Agreement. The foregoing is based on Appendix 4 "Criteria for assessing action plans for individual due diligence";
- The ruling issued by the Complaints and Disputes Committee with reasons given in writing will be binding on the AGT Secretariat and the enterprise concerned;
- The AGT Secretariat will monitor compliance with the ruling by the enterprise concerned.

Complaints:

- A stakeholder, or a party mandated by the stakeholder to represent him, will first enter into direct dialogue if he is suffering injury, loss or damage caused by an enterprise participating in the Agreement. The stakeholder and the enterprise may decide on mediation at this time.
- If the issue is not resolved through dialogue and/or mediation, it can be submitted to the Complaints and Disputes Committee by the stakeholder or by a party mandated to represent him.
- The issue concerned must be of material significance to the stakeholder individually or to the group to which he belongs and one which he can substantiate in relation to the enterprise concerned on the basis of the contents of the Agreement, including the OECD Guidelines and the UNGPs;
- When it takes on a complaint, the Complaints and Disputes Committee will make public the subject of the complaint and the parties involved.
- While the Complaints and Disputes Committee is dealing with complaints, all the parties involved will refrain from providing public information on the contents of the complaint and the complaint resolution process.
- When the enterprise concerned is party to an initiative with an equivalent mechanism for dealing with the complaint in question¹⁴, the complaint will be referred to and dealt with in the grievance mechanism of that initiative. In this case, the Complaints and Disputes Committee will declare itself incompetent to hear the complaint. It will publicise the subject of the complaint, the parties involved and the grievance mechanism to which it has been referred;
- the Parties to the Agreement will regard a ruling by the equivalent grievance mechanism as binding.

¹⁴ Elements of equivalence include:

- Relevant in the light of the nature of the complaint;
- Accessible to the complainant;
- Procedure conforms to UN Guiding Principle for Business and Human Rights No. 31;
- Can deal with complaints about infringements elsewhere in the chain;
- Provides public information on the result of the procedure after the complaint has been settled.

- On the basis of a complaint, the Complaints and Disputes Committee will assess, after hearing both sides of the argument, whether an enterprise participating in the Agreement is acting in accordance with the Agreement.
- If necessary for a possible joint approach to the causes of a complaint concerning a specific production site, the AGT Secretariat must, at the request of the Complaints and Disputes Committee, provide the Complaints and Disputes Committee in confidence with information on the relationship between enterprises participating in the Agreement and the production site concerned. The participating enterprises concerned will be informed of the nature of the complaint and the information supplied to the Complaints and Disputes Committee by the AGT Secretariat;
- The ruling of the Complaints and Disputes Committee will be binding on all the parties involved in the procedure.
- The Complaints and Disputes Committee will publish its ruling and reasons in the most transparent manner possible, observing confidentiality where required for reasons of competition sensitivity and/or the protection of privacy.
- In order to monitor compliance with the ruling of the Complaints and Disputes Committee, the secretariat will involve the latter in the assessment of the annual action plan and progress report of the enterprise concerned.

Failure to comply with a binding ruling of the Complaints and Disputes Committee:

In the case of a dispute:

- Where an enterprise has failed to comply with a binding ruling of the Complaints and Disputes Committee concerning a dispute between the AGT Secretariat and the enterprise about (the quality of) the latter's action plan within the time limit specified by the Complaints and Disputes Committee or at all, the AGT Secretariat will inform the Steering Group accordingly and provide the Steering Group members, excluding enterprise members, with all the relevant information on the enterprise concerned, including the decision of the Complaints and Disputes Committee with reasons in writing.
- The Steering Group and/or one or more Parties to the Agreement will be entitled to issue written reminders to the enterprise concerned. If a dispute then arises between the enterprise concerned and one or more Parties to the Agreement with regard to failure to comply with the binding advice of the Complaints and Disputes Committee in a timely manner or at all, that dispute can be submitted to the Netherlands Arbitration Institute (NAI) by the enterprise concerned or one or more Parties to the Agreement within six months after the elapse of the time limit set by the Complaints and Disputes Committee.
 - To this end, the Declaration that enterprises will sign contains an arbitration clause stating that: All disputes arising between one or more Parties to the Agreement and the enterprise concerned with regard to the failure by the enterprise concerned to comply, in a timely manner or at all, with the binding advice of the Complaints and Disputes Committee concerning a dispute shall be settled in accordance with the Arbitration Rules of the Netherlands Arbitration Institute.
 - When settling disputes, the Netherlands Arbitration Institute shall review marginally whether the enterprise concerned has complied with the binding advice of the Complaints and Disputes Committee in a timely manner or at all.
 - The parties in arbitration proceedings as specified above shall be the enterprise concerned and one or more Parties to the Agreement. Either party may appear as the claimant or the defendant.

- The arbitration tribunal shall in principle be composed of three arbitrators. The parties in the dispute may also agree that one arbitrator will suffice.
- The arbitration tribunal shall be appointed according to the list procedure.
- The place of arbitration shall be The Hague, the Netherlands.
- The arbitrator(s) shall decide as amiable compositeur.
- Any Party or Parties to the Agreement who is (are) party to the dispute shall inform the Steering Group of the ruling given by the arbitrator(s).

In the case of a complaint:

- Where an enterprise has failed to comply with a binding ruling of the Complaints and Disputes Committee concerning a complaint within the time limit specified by the Complaints and Disputes Committee or at all, the AGT Secretariat will inform the Steering Group accordingly;
- Where compliance with a ruling of the Complaints and Disputes Committee concerns the influencing of a supplier/suppliers and the latter cannot be induced to cooperate and any joint approach of the enterprises involved in the Agreement has not achieved the desired result, the Steering Group may decide to place the supplier(s) on a list of enterprises from which participating enterprises are no longer allowed to purchase.
- In cases which, unlike the aforementioned situation, involve unjustifiable failure to comply with the binding ruling of the Complaints and Disputes Committee by an enterprise participating in the Agreement, the parties involved and the Parties to the Agreement will be at liberty to make public substantive information on the complaint and their opinion of the failure to comply with the binding ruling of the Complaints and Disputes Committee.
- In such cases, the Parties to the Agreement may propose to the Steering Group that the enterprise be expelled. Enterprise members will not be present when such decision is taken.
- The AGT Secretariat will provide the Steering Group members, excluding enterprise members, with all the relevant information on the enterprise concerned, including the decision of the Complaints and Disputes Committee with reasons in writing.

2. Specific themes

By doing business via international production or supply chains, enterprises may become involved, directly or indirectly, in a variety of potential or existing social, animal welfare and environmental issues. Every enterprise can take measures within its own operational management, but many problems cannot be fully resolved at the level of an individual enterprise alone. In these cases, enterprises can cooperate with other enterprises, public bodies, trade unions and civil-society organisations in collective projects, within which the Parties undertake to achieve tangible results.

The Parties have identified nine specific themes by mutual agreement and in discussion with stakeholders which currently merit the priority attention of enterprises in the garment and textile sector operating in the Netherlands in terms of international responsible business conduct. These themes are, in no particular order:

1. Discrimination and gender;
2. Child labour;
3. Forced labour;
4. Freedom of association;
5. Living wage;
6. Safety and health in the workplace;
7. Raw materials;
8. Water pollution and use of chemicals, water and energy;
9. Animal welfare.

The Parties will expect participating enterprises to perform due diligence and to focus particular attention on these themes. This means that, with regard to these themes, they will identify any possible adverse impact, set specific objectives and take measures which are suitable in the light of the insights resulting from their due diligence process. If they decide in their action plan not to take measures (as yet) or to take other measures equivalent to the measures described below by the Parties in this section in respect of one or more of the specified themes, they must explain clearly why they have taken these decisions.

The selection of nine themes was made jointly by the parties based on the actual impact on the garment and textile sector. When individual enterprises conduct their due diligence process, it cannot be ruled out that they will also encounter other problems in their production or supply chain, such as land grabs or corruption. When that is the case, enterprises will include them in their annual individual action plan.

The Parties describe the following for each theme in Appendix 1:

- A. Elements of the context that make it a priority theme;
- B. Which goal worth trying to achieve they endorse;
- C. What measures Parties expect from individual enterprises. The rule is: comply or explain;
- D. Where known: which collective projects an enterprise can join when the solution of a problem is beyond the scope of its individual operational management.
- E. Arrangements the Parties make among themselves to promote the goal described. Priorities, allocation of roles, planning and timescale will be determined jointly by the parties once the Agreement has entered into force.

For individual enterprises, all the measures in Appendix 1 are governed by the principles of reasonableness and fairness as well as "comply or explain".

Item D is a work in progress for the Parties. The Parties agree to conduct a proper review of these projects by 1 July 2016 and specify how enterprises can participate in

each project. The Steering Group will be in charge of overseeing relevant collective projects for each theme during the term of the Agreement. All Parties to the Agreement will be able to present existing projects or projects yet to be started (including those elsewhere) to the general meeting of Parties to the Agreement for inclusion in Item D. In addition, the AGT Secretariat will make proposals for initiating projects based on insights gained from the action plans submitted to it. Projects will be removed from the list when enterprises can no longer participate in them or if new insights are gained from Parties to the Agreement on the impact of the project.

It is of essential importance to the success of these collective projects that enterprises collaborate with international initiatives on these themes. In several EU countries, national initiatives are in place that focus on one or more of these themes. International organisations such as ILO (Better Work Programme), IndustriAll, OECD, Sustainable Apparel Coalition etc. also have projects in production countries which are dedicated to addressing these issues. It is necessary to join the above initiatives to ensure the effectiveness and impact of this Agreement.

Parties aim to create at least two collective projects; one in the area of living wage and one in the area of freedom of association. In the analysis of the parties these two themes are essential: progress and improvement on these two areas has a positive effect on all other social issues.

The project concerning freedom of association could take place in Bangladesh, in cooperation with organizations such as the Bangladesh Accord and the Fair Wear Foundation.

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 mid-term review 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.

3. Incentivising small enterprises (“Category C”)

Whereas:

- Many small enterprises only purchase limited quantities, if any, directly from production countries and have little or no leverage there;
- Many of these enterprises look for new collections at trade fairs and make contact with suppliers.

The Parties will endeavour to ensure that:

- By 2020, at least 50 percent of the turnover of small enterprises is derived from selling garments and textiles from suppliers who have conducted due diligence and can prove it.

Individual enterprises:

- Will ask their main garment suppliers what their policy is with regard to international responsible business conduct and ascertain whether it covers the nine themes referred to in this Agreement.
- Importing enterprises with regular suppliers will perform an adjusted due diligence, for which a separate format will be designed.
- Will jointly survey their wholesalers in an effort to persuade them to perform due diligence.

The Parties agree:

- To develop an adjusted due diligence guide for small enterprises in 2016.
- To provide a sample letter to enable small enterprises to put questions to their suppliers.
- To organise workshops on due diligence or specific themes as specified in the Agreement, e.g. during fashion trade shows. In doing so, they will seek to join existing initiatives.

4. Policy coherence and the role of government

Agreements on international responsible business conduct are part of a wider government policy in the area of responsible business conduct, sustainable development and trade, and development cooperation.¹⁵ The Parties acknowledge that the Dutch government plays an important part and can strengthen this role in promoting the transition of the sector and in implementing this Agreement. By signing this Agreement, the Dutch government makes the following commitments:

1. To place the subject of multi-stakeholder collaboration in the garment and textile sector firmly on the agenda within the EU and to promote it. Within this context, the Netherlands will join forces with countries which have initiated comparable initiatives or are interested in doing so, such as Germany, Denmark, the United Kingdom and France, to ascertain where similarities exist between these initiatives and draw up a road map in order to scale up the national initiatives to EU level. Both governments and enterprises, trade unions and civil-society organisations will be involved in this.
2. To make the maximum contribution to ensuring that it becomes clear to enterprises in practical terms what options they have or what constraints apply when entering into mutual agreements, both horizontally and vertically, in the areas of human rights, working conditions, the environment, biodiversity and animal welfare. This, and more, will be put into effect in the amended Policy Rule on Competition and Sustainability.
3. To put the debate about competition and sustainability on the European agenda and focus attention on it during the Netherlands' Presidency of the EU in the first half of 2016, e.g. by organising a meeting on the subject in Brussels.
4. The Dutch government will during the term of the Agreement endeavour to make agreements with the relevant local and/or national government in countries in which textiles and garments are purchased by Dutch enterprises or those operating in the Netherlands to strengthen health and safety inspectorates and their collaboration with private initiatives, where possible as part of the EU Garment Initiative and OECD activities in the garment and textile sector.
5. Embassies will commit themselves to assisting the signatories of this Agreement to implement their policy on international responsible business conduct, mainly by providing information on international responsible business conduct within the local context and focus on diplomacy as part of their economic relations. An example of this diplomacy would be to give embassies the role of intermediary in putting Dutch enterprises in contact with local authorities and stakeholders so as to avoid or address any potential adverse impact on the general and specific themes referred to in this Agreement. If required, an embassy can actively approach the local authority and other stakeholders.
6. To promote the Agreement as part of the Netherlands' policy in bilateral and multilateral relations and urge governments to facilitate and/or promote the implementation, monitoring and verification of the Agreement in production countries as part of their state duty to protect.
7. The Dutch government will endeavour to organise missions during the term of the Agreement that specifically focus on the subjects covered by this Agreement in the production countries mentioned. In principle, representatives of all the Parties to this Agreement will be able to join these delegations.
8. The government, in collaboration with the industry organisations, will take the lead in launching the investigation by the Parties to the Agreement into the possibility of eventually funding the cost of the Agreement by means of a sector-wide levy or collective contribution, as mentioned in the Introduction.

¹⁵ SER (2014) *Advies IMVO-convenanten*, Publ. No. 14/04.

9. Where an enterprise submits an application for financial or other government support from existing instruments for international trade activities, the Dutch government acknowledges that it will be easier for participating enterprises to demonstrate that they satisfy the criteria on international responsible business conduct that apply to applications for financial support from the government in respect of international trade;
10. By introducing the Action Plan for Socially Responsible Purchasing, the Dutch government will encourage governments to do their purchasing in accordance with the OECD Guidelines, e.g. by changing over to a single system with a due diligence requirement. By setting a good example as a government and purchasing in a socially responsible way, the government will help to create a market for sustainable innovative products and production processes.
In response to the pilot "circularity" tender of the Dutch Ministry of Defence, in the first quarter of 2016, which specifies a lower limit for recycled textile content and considers price to be a secondary issue, a study will be conducted to ascertain whether subsequent tenders could be placed on the market with a higher level of ambition.
The Dutch government will actively appeal to the lower tiers of government to use these types of initiatives on international responsible business conduct with proven results when purchasing (a suitable range of) textiles and garments.
The Dutch government will institute a national return flow for garments and textiles following the example of the existing return flow in the Ministry of Defence.
11. The Dutch government will explore the possibilities at EU level of making due diligence as described in the OECD Guidelines a selection criterion for purchasing and will issue a report in this regard.
12. Where necessary and possible, the Dutch government will seek leeway in the rules to facilitate the collection of textiles, e.g. by allowing them to be used as a raw material instead of waste, even where this is done by individual enterprises in the sector. The government will hold talks with the municipalities on this subject and, if possible, reach agreement on how the municipalities can promote competition for the re-use and recycling of textiles. The timescale for this will be as follows: review of obstacles in legislation and regulations and preparation of any necessary and possible amendments in 2016, possible agreements with thirty municipalities (G30) in 2017 and roll-out of new system in 2018 and 2019.
13. The government will report on these efforts to the Steering Group as a contribution to the annual report on the Agreement.

5. Governance, implementation, funding

5.1 Meeting of Parties to the Agreement, Steering Group and Complaints Mechanism

1. All the signatories to the Agreement will be entitled to attend the Meeting of Parties to the Agreement;
2. The Meeting of Parties to the Agreement will establish a Steering Group. Each group will propose two candidates. The Steering Group will oversee compliance with the Agreement and supervise its implementation. Five groups will be equally represented in the Steering Group: industry organisations, participating enterprises which are members of an industry organisation, trade unions, civil-society organisations and the Dutch government. Each group will have two of the total of ten votes. Because of the diversity of their membership, the groups may attend meetings of the steering groups with a maximum of three people.
3. The Steering Group will have an independent chair, not connected to any of the Parties to the Agreement, who will be chosen by the Parties by consensus. The chair will not have a vote.
4. The Steering Group will endeavour to take decisions based on consensus. When consensus is not possible, the Steering Group will take a decision based on a majority of votes. Within the constraints of what has been agreed in this Agreement, the Steering Group will be responsible for the "day-to-day management" of the implementation of the Agreement. Within the constraints of what has been agreed in this Agreement, the Steering Group will have the mandate of the Parties to take timely supplementary and corrective measures to ensure the implementation of the Agreement. This will require a three-quarters majority.
5. The Parties will submit issues which they consider require an urgent response from the Parties to the Agreement and/or the enterprises participating in the Agreement for decision in the Steering Group.
6. The Steering Group will decide on new projects, initiatives and collaboration with other parties who can endorse the implementation of the Agreement or take decisions whether to enter into or terminate projects covered by the Agreement. Proposals to this end will be explained in the six-monthly Meeting of Parties to the Agreement. The Meeting will have an advisory role.
7. The Steering Group will publish an annual report on the progress of the implementation of the Agreement and the results obtained. The Parties to the Agreement will report on the efforts they have made for inclusion in this annual report.
8. The Steering Group will organise at least six-monthly Meetings of Parties to the Agreement at which the progress of the Agreement will be discussed and the Steering Group will render an account of the policy pursued. The Meeting of Parties to the Agreement will agree the Steering Group's annual work plan and budget. It will sign off the policy pursued by the Steering Group each year.
9. In connection with the Meeting of Parties to the Agreement, a Meeting of Participants in the Agreement will also be organised in which practical aspects of the implementation of the Agreement will be discussed and recommendations will be made to the Steering Group to strengthen the implementation of the Agreement.
10. Once a year, the Steering Group will organise a wide-ranging stakeholder meeting to discuss the Agreement.
11. These meetings will be chaired by the chair of the Steering Group.
12. The Parties will establish a complaints and disputes mechanism as described in Section 1.3. The Steering Group will evaluate this mechanism two years after it has come into effect.

5.2 Implementation of the Agreement

1. The Steering Group will be assisted by the AGT Secretariat in the performance of its work, this may be part of a broader secretariat that secures several agreements.
2. The Steering Group appoints the coordinator of the AGT Secretariat based on the nomination of the organization where the secretariat will be based. The nomination will be done on the basis of a feature job profile jointly established by the Steering Group and the organization where the secretariat is based. The coordinator is subsequently involved in the composition of the staff of the Secretariat.
3. The coordinator of the AGT Secretariat will report to the Steering Group.
4. The AGT Secretariat will be responsible for the tasks described in Sections 1 and 2 of this Agreement and will use, inter alia, the assessment framework described in Appendix 4.
5. In addition, the Secretariat will assist the Steering Group with the organisation of the aforementioned meetings, maintain contact and promote collaboration with relevant national and international initiatives, provide external communication with regard to the Agreement and supply the Steering Group with information relevant to the assessment of the progress of the Agreement.

5.3 Funding

1. Appendix 6 contains a provisional estimate of the cost of implementing the Agreement. It includes the following cost items:
 - Cost of the coordinator and staff of the Secretariat (including accommodation and overheads)
 - Cost of verifying information and results
 - Establishment and implementation of complaints and disputes mechanism
 - Chair of Steering Group
 - Communication costs
 - Mid-term review and evaluation
2. Following signature of the agreement in principle, the Parties will have three months in which to find the means to fund the implementation of the Agreement on a long-term basis. The Agreement will not be signed if no/insufficient funding is available after three months.
3. The cost of implementing the Agreement will be paid jointly by the Parties and enterprises by a combination of cash and/or payment in kind.
4. The Parties to the Agreement will investigate the possibility of eventually funding the cost of the Agreement by means of a sector-wide levy or collective contribution. Participating enterprises will obtain a reduction on this levy.
5. Enterprises that sign the Declaration will use their own resources to fund due diligence, the action plan, verification and projects but will not make an additional financial contribution to the cost of implementing the Agreement, such as the coordinator, secretariat and complaints and disputes mechanism until such time as a levy is introduced. In the case of collective projects which have been or are being developed as part of this Agreement, only participating enterprises will be eligible for co-financing.

5.4 Final provisions

1. This Agreement will enter into force on the date of signature by the Parties and, after signature, will be published in the Dutch Government Gazette [*Staatscourant*].

2. This Agreement has a term of five years from the date of signature and can be cancelled by any Party with effect from two years after the date of signature. The Party in question will continue to be bound by the provisions of the Agreement for one year after the cancellation. Civil-society organisations which are Party to the Agreement may cancel their participation due to lack of funding or closure of the organisation with effect from the year following the event. If a Party cancels the Agreement, the Agreement will continue to exist as regards the other Parties in so far as its content and purport do not prevent it doing so.
3. The Agreement, possibly in amended form, can be extended by three years one year before expiry, if the Parties agree to do so by unanimous decision. The enterprises will also have a vote in this regard via the Steering Group.
4. The Parties acknowledge their obligations under national and EU competition legislation and will act in accordance with these rules. By entering into this Agreement, the parties are not endeavouring to restrict the market or reduce competition. It is not their intention to restrict competition on the garment and textile market to the disadvantage of consumers. They will consult with the Authority for Consumers and Markets (ACM) before signing the agreement.
5. Disputes between Parties concerning the Agreement will be discussed by the Steering Group.
6. If the Steering Group is unable to resolve the dispute by unanimous decision, the Parties can refer the dispute to the Complaints and Disputes Committee.
7. The Complaints and Disputes Committee will issue a binding ruling on the dispute within three months.
8. If a dispute arises between the Parties concerned with regard to failure to comply with the binding advice of the Complaints and Disputes Committee in a timely manner or at all, that dispute can be submitted to the Netherlands Arbitration Institute (NAI) by the Parties concerned within six months after the elapse of the time limit set by the Complaints and Disputes Committee.
9. Such disputes will be settled in accordance with the Arbitration Rules of the Netherlands Arbitration Institute.
 - When settling disputes, the Netherlands Arbitration Institute shall review marginally whether the Party concerned has complied with the binding advice of the Complaints and Disputes Committee in a timely manner or at all.
 - Either party may appear as the claimant or the defendant.
 - The arbitration tribunal shall in principle be composed of three arbitrators. The parties in the dispute may also agree that one arbitrator will suffice.
 - The arbitration tribunal shall be appointed according to the list procedure.
 - The place of arbitration shall be The Hague, the Netherlands.
 - The arbitrator(s) shall decide as amiable compositeur.
10. If legislation and regulations relating to due diligence or other themes in this Agreement, such as child labour, enter into force and go beyond the provisions of this Agreement, the Steering Group will incorporate them in the Agreement as minimum requirements, subject to agreement by the six-monthly Meeting of Parties to the Agreement.
11. If an enterprise which participates in the Agreement ceases its activities in the garment and textile sector during the term of the Agreement, it may cancel its Declaration as of that date, with the result that all of its obligations in connection with that Declaration will cease to apply as of the date of cancellation.
12. An enterprise which participates in the Agreement may cancel its Declaration two years after signature by notifying the Steering Group for the Agreement, stating its reasons. The enterprise will continue to be bound by the Declaration for one year after the cancellation. The Steering Group will make the cancellation public. An enterprise cannot cancel its Declaration if a dispute is ongoing.
13. The Declaration will be cancelled in the event of: bankruptcy, cessation of business, death of owner or a change to the Agreement which has a demonstrably serious adverse effect on the enterprise.

14. Acquisition by another enterprise may constitute grounds for cancellation, where the cancellation of this Agreement is a resolutive condition for the sale.
15. This Agreement may, subject to the written consent of all the Parties to this Agreement, be expanded to include other activities and projects in production countries.
16. The Agreement is open to the admission of new parties who subscribe to its objective and can help to achieve it. The Steering Group will take the final decision on admission.
17. This Agreement is governed by the laws of the Netherlands.

Signed in the Hague, on ... June 2016

E.M.J. Ploumen
Minister for Foreign Trade and Development Cooperation

.....

Trade Union Federations

.....

Industry organisations

.....

Civil-society organisations

Etc.

Declaration by Enterprises concerning the Agreement on Sustainable Garment and Textile

The signatory enterprises declare that they have read the points agreed by the Parties Agreement on Sustainable Garment and Textile, signed in the Hague on ... with the intention of assisting them to fulfil international responsible business conduct, and subscribe to its objectives and working methods.

As part of this Agreement, the signatory enterprises will assume the following obligations:

- to explicitly include the following themes in the principles for their own policy on international responsible business conduct: Discrimination and Gender, Child Labour, Forced Labour, Freedom of Association, Living Wage, Safety and Health in the Workplace, Raw Materials, Water Pollution and the Use of Chemicals, Water and Energy and Animal Welfare;
- to communicate their intentions and objectives to their suppliers and chain partners and to formulate and achieve measurable results in collaboration with their suppliers;
- to conduct due diligence in a manner which is consistent with their size and business circumstances, within one year after signing the Agreement;
- to submit the action plan that they prepare within this due diligence process to the AGT Secretariat on an annual basis for assessment/approval and declare themselves to be in agreement with the assessment/approval of their action plan by the AGT Secretariat, as described in Section 1 and Appendix 4 of the Agreement;
- in their annual action plan
 - they will explicitly discuss:
 - the insight that they have gained into their production or supply chain through the due diligence process and the possible impacts in their supply chain in terms of the UNGPs and the OECD Guidelines;
 - how their own purchasing process (delivery times, pricing, duration of contracts, etc.) contributes to potential (risks of) adverse impacts and measures to be taken to mitigate them;
 - the policy they are pursuing and the measures they are taking with regard to the nine themes prioritised by the Parties and how they will participate in the collective projects formulated by the Parties for these themes which are consistent with the substantial risks found in these themes (see Appendix 1);
 - formulating quantitative and qualitative objectives and measurable results in terms of improvements for the duration of the Agreement, broken down into objectives after 3 and 5 years.
 - to provide the AGT Secretariat with the following information, which will be treated in confidence by the secretariat, to give it an idea of the benefit of and need for collective projects and to be included in the annual report to be prepared by the AGT Secretariat for publication by the ##Steering Group:
 - from Year 1:
 - the countries where their products (Cut, Make, Trim (CMT) and vertically integrated enterprises) are manufactured;
 - for each country: the production locations (names and addresses) and production processes concerned and turnover (as a percentage of their own turnover and in euro);
 - from Year 2:
 - the raw materials used in their collections and the risks identified in the use of these raw materials.

from Year 3 at the latest:

- the subsequent links in their production or supply chain (including raw material suppliers, spinning mills, weaving mills and dye works);
- from the second year of participation, to report on the results of the plan for the previous year.
- to agree to the preparation by the AGT Secretariat of an aggregated report and benchmark for publication by the Steering Group.
- to communicate in public by the third year of participation in the Agreement, in accordance with what has been agreed by the Steering Group with regard to substantive information to be published;
- to agree to the working methods of the complaints and disputes mechanism which the Parties have established under this Agreement;

This Declaration is valid for the duration of the Agreement and can be cancelled two years after signature, stating reasons, in the Steering Group for the Agreement. The enterprise will be bound by the Declaration for one year after the cancellation. The Steering Group will make the cancellation public. An enterprise cannot cancel its Declaration if a dispute is ongoing.

The Declaration will be cancelled in the event of: bankruptcy, cessation of business, death of owner or a change to the Agreement which has a demonstrably serious adverse effect on the enterprise. Acquisition by another enterprise may also constitute grounds for cancellation, where the cancellation of this Agreement is a resolatory condition for the sale.

If an enterprise which has signed the Declaration ceases its activities in the garment and textile sector during the term of the Agreement, it may cancel its Declaration as of that date, with the result that all of its obligations in connection with that Declaration will cease to apply as of the date of cancellation.

- All disputes arising between one or more Parties to the Agreement and the enterprise concerned with regard to the failure by the enterprise concerned to comply, in a timely manner or at all, with the binding advice of the Complaints and Disputes Committee concerning a dispute shall be settled in accordance with the Arbitration Rules of the Netherlands Arbitration Institute.
 - When settling disputes, the Netherlands Arbitration Institute shall review marginally whether the enterprise concerned has complied with the binding advice of the Complaints and Disputes Committee in a timely manner or at all.
 - The parties in arbitration proceedings as specified above shall be the enterprise concerned and one or more Parties to the Agreement. Either party may appear as the claimant or the defendant.
 - The arbitration tribunal shall in principle be composed of three arbitrators. The parties in the dispute may also agree that one arbitrator will suffice.
 - The arbitration tribunal shall be appointed according to the list procedure.
 - The place of arbitration shall be The Hague, the Netherlands.
 - The arbitrator(s) shall decide as amiable compositeur.

Appendix to Declaration: Agreement on *Sustainable Garment and Textile*, dated

Appendix 1 – Approach to specific themes

Within three months after the Agreement enters into force, the Parties will work out the details of the responsibilities of the Parties who will be assuming a leading role and determine who will be the first point(s) of contact.

The first points of contact referred to in this appendix are subject to change in the Steering Group.

Discrimination and gender

A. Whereas:

- Discrimination is a major cause of unequal treatment of people in the same situation.¹⁶ In the garment and textile industry, women are in a worse position than men, despite the fact that the majority of the workers are women.
- Discrimination is based not only on gender, but also on other (personal) characteristics such as being a member of an ethnic or other minority group, a religious group or a status conferred by third parties on account of birth, such as a specific caste, which are irrelevant in terms of doing the job.

B. The Parties' joint aim is:

- To eradicate discrimination from the production or supply chain;
- To achieve equal rights, opportunities and pay for women, minorities and other groups suffering discrimination in the production or supply chain.

C. The Parties expect enterprises to take these or equivalent measures:

- To take measures to ensure that female employees and other discriminated or disadvantaged groups have the same rights and opportunities as other employees, including equal pay for equal work and opportunities for senior and management positions.
- To make agreements about this in supply contracts.
- To communicate company policy on discrimination and achieving equal rights in all stages of the production or supply chain, including in local languages and to flexible workers.
- To support suppliers in providing information and training on how to prevent and combat discrimination.
- To take joint initiatives with other buyers to protect pregnant female employees and promote parental leave and childcare, paid maternity leave, sufficient time and space for the health care function (e.g. breastfeeding and expressing milk) and a return guarantee.
- To investigate by random sampling or by consulting local civil-society organisations and/or trade unions whether discrimination has been eradicated and equal rights are being promoted at all stages of the enterprise's production or supply chain. If this is not the case in a particular enterprise in the production or supply chain, that enterprise must draw up a time-bound plan for improvement. If this plan fails to produce a result, the enterprise participating in the Agreement will impose sanctions, in the worst case resulting in termination of the contract with the supplier concerned.
- To collaborate with local trade unions and civil-society organisations with a track record of fighting discrimination.

D. The Parties recommend that enterprises should join collective projects aimed at eradicating discrimination and achieving equal rights, such as:

¹⁶ For a definition, see Appendix 2.

- Multi-stakeholder initiatives and other joint ventures that actively combat discrimination.
- The Fair Wear Foundation programme for combating violence against women.

E. The Parties agree:

- The Parties will draw up a road map in 2016 to draw attention to and help combat discrimination in general and against women in particular by mapping the current situation, exchanging good practices and possibly setting up projects to promote this. First point of contact: to be decided.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Child labour

A. Whereas:

- Child labour is deemed to exist when a child (aged under 18) performs work that infringes on his/her right to education, is harmful to the physical and/or mental health of the child and his spiritual, moral or social development and also when work is carried out by children who have not yet reached the minimum age for admission to employment. ILO Convention 138 sets a minimum age of 14 or 15 or higher if laid down in statutory regulations¹⁷;
- Working children generally miss out on education or their education suffers as a result of its being combined with work. This deprives them of future prospects and any possibility of breaking out of the cycle of poverty;
- Child labour has declined considerably over the past ten years in the Cut-Make-Trim (CMT) stage of garment production (the first stage) and it is necessary to maintain this trend and to ensure that child labour, including hazardous work for children up to age 18, is eradicated completely;
- Child labour in the garment and textile sector is still common, especially with the outsourcing of (parts of) garment production, integrated "cotton-to-clothing" production plants and upstream in the production or supply chain, such as in spinning mills, weaving mills, dye works and cotton production;
- Children from minorities and other marginalised groups – such as girls, indigenous peoples, Dalits ("outcastes") and disabled children – are often the most susceptible to child labour and are sometimes not reached effectively or at all by existing programmes;

B. The Parties' joint aim is:

- To permanently eradicate child labour in the production or supply chain, ensuring that child labour is not displaced or relocated to other sectors or countries.

C. The Parties expect enterprises to take these or equivalent measures:

- Not to recruit or employ children to perform tasks considered to constitute child labour and to develop an approach to achieve this throughout the production or supply chain as well.
- To take advantage of the knowledge and experience of relevant organisations and individuals as well as of relevant guidelines and documents, such as the ILO – IOE Child Labour Guidance Tool for Business.
- To develop and apply reliable methods in collaboration with suppliers and stakeholders to verify the age of children during recruitment procedures and to ascertain whether these methods are also actually used in the production or supply chain.

¹⁷ See also Appendix 2.

- To gather specific information on (potential) risks of child labour throughout the production or supply chain and, in addition, to collaborate with suppliers to identify risks of child labour at all stages of production and eliminate them.
- To collaborate, either on their own initiative or by joining existing initiatives, with other enterprises, associations inside (and outside) the sector, employer organisations, the communities involved, civil-society organisations (including children's rights organisations), trade unions and public authorities in order to improve (access to) education and help to find permanent solutions to the underlying causes of child labour (not only poverty, but also aspects including social norms, substandard education, insufficient access to basic facilities and lack of legal enforcement).
- To support local, national and international efforts to eradicate child labour, including by means of awareness-raising campaigns and social mobilisation, as well as through other programmes set up in collaboration with local communities, including children, to combat child labour and promote education.
- Not to use purchasing or other practices to exert pressure on suppliers, contractors or subcontractors which may result in the infringement of children's rights (including the right to protection from child labour, the right to education and the right to health and development).
- To identify, prevent and reduce dangers for young employees and protect them from work situations which are prohibited for children aged under 18 or which harm their mental or physical development.
- To participate in and provide support for programmes that encourage employment for young people, promote the development of skills and provide occupational training courses for young employees.
- To help to place production within the requirements of the formal economy and avoid informal work situations that pose a serious risk of child labour.

D. The Parties recommend that enterprises join collective projects aimed at preventing and eradicating child labour, such as:

- Creating Positive Change in the Bangladesh Garment Sector; towards child friendly supply chains;
- Action-based, collaborative project on ensuring human rights in upstream Turkish cotton supply chain.
- An area-specific approach to child labour, including Child Labour Free Zones, in areas where these exist or are being developed.

E. The Parties agree:

- To analyse the risks of child labour in the garment sector in general and, more specifically, in the production or supply chains of enterprises participating in the Agreement. This analysis will be based on existing studies and reports, additional research and joint due diligence processes. First point of contact: to be decided.
- To draw up a road map based on this analysis in 2016 for regions/countries where a substantial purchase of products is made by enterprises participating in this Agreement and which have a high risk of child labour. The Parties will ascertain whether this analysis and road map are eligible for co-financing by the new fund for combating child labour, which will be based on 50%/50% financing by the fund and the private sector¹⁸. The elements of the road map include:
 - Setting measurable targets for each country for jointly addressing child labour in risky stages of the production or supply chain and also seeking collaboration with (other) public authorities, industry organisations, trade unions and civil-society organisations and, for example, the German

¹⁸ The details of the scope and operation of this fund will not yet have been finalised when an agreement in principle is reached about the Agreement and the Parties participating in the Agreement will therefore also to seek alternative funding.

- Partnership for Sustainable Textiles (*Textilbündnis*). First point of contact: to be decided.
- Taking measures to find a permanent solution when guiding children and their parents/carers from work to education. This can take the form of an area-specific approach (Child Labour Free Zones) or other ways of guiding children towards a good (preferably full-time and formal) education. First point of contact: UNICEF and the Dutch Stop Child Labour Coalition.
 - Formulating a joint remediation policy in cases where child labour has been found or appears to happen frequently in the production or supply chain. This policy includes: creating conditions that support the successful integration or re-integration of these children, such as “bridging education” courses that prepare them for participating in education in a class of their own age group and, where possible, an area-specific (Child Labour Free Zone) approach, to eradicate child labour in a particular area. Proper healthcare – especially for acquired occupational diseases and traumas – is also an essential part of this process. First point of contact: industry organisations and the Dutch Stop Child Labour Coalition.
 - Helping to provide (access to) high-quality primary and secondary education, including vocational training courses for older children and decent work for teenagers who are allowed to work. First point of contact: UNICEF.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
 - The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Forced labour

A. Whereas:

- Forced labour¹⁹, also of children, including people trafficking, occurs on a massive scale, with at least 20.9 million victims according to the ILO. Forced labour also occurs in the garment and textile industry, e.g. in spinning mills in India and in the cotton sector in Uzbekistan.

B. The Parties’ joint aim is:

- To prevent and eradicate forced labour in the production or supply chain.

C. The Parties expect enterprises to take these or equivalent measures:

- To make agreements in supply contracts on preventing and eradicating forced labour.
- To communicate company policy at all stages of the production or supply chain, including in local languages and to flexible workers.
- To identify where there is a high risk of forced labour by further investigating the production or supply chain and conducting due diligence.
- To investigate by random sampling or by consulting local civil-society organisations and/or trade unions whether forced labour has been eradicated at all stages of the enterprises’ production or supply chain. If this is not the case in a particular enterprise in the production or supply chain, that enterprise must draw up a time-bound plan for improvement. If this plan fails to produce a result, the enterprise participating in the Agreement will impose sanctions, in the worst case resulting in termination of the contract with the supplier concerned.

¹⁹ For a definition, see Appendix 2.

D. The Parties recommend that enterprises join collective projects aimed at preventing and eradicating forced labour, such as:

- The joint approach being developed to forced labour and related employment rights abuses in South Indian spinning mills (formerly Amsterdam Coalition).

E. The Parties agree:

- To analyse the risks of forced labour in the garment sector in general and, specifically, in the production or supply chains of enterprises participating in the Agreement, starting in 2016. This analysis will be based on existing studies and reports, additional research and individual and joint due diligence processes. First point of contact: AGT Secretariat.
- To draw up a road map based on this analysis for regions/countries where a substantial purchase of products is made by enterprises participating in this Agreement and which have a high risk of forced labour. The elements of the plan include:
 - Setting measurable targets for each country for jointly addressing forced labour in risky stages of the production or supply chains and also seeking collaboration with (other) public authorities, industry organisations, trade unions, local organisations and civil-society organisations and, for example, the German Partnership for Sustainable Textiles (*Textilbündnis*) and the OECD. First point of contact: to be decided.
 - Establishing a monitoring and evaluation system to improve the detection of forced labour. First point of contact: civil-society organisations.
 - Facilitating the testing and introduction of worker empowerment training. First point of contact: trade unions.
 - Formulating a joint prevention and remediation policy in cases where forced labour has been found or appears to happen frequently in the production or supply chain. First point of contact: industry organisations.
- To develop an action plan based on existing research and new information to eradicate forced labour in the South Indian garment industry, the aim of which is for participating enterprises to buy only from suppliers that do not use these practices (by ensuring that existing suppliers change their practices or – if necessary – by choosing different suppliers). First point of contact: LIW in collaboration with Solidaridad.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Freedom of association

A. Whereas:

- Freedom of association²⁰ is vital as the starting point for a meaningful stakeholder dialogue at factory and sector level;
- In production countries, it is extremely important to enter into a dialogue with local trade unions to conduct negotiations between suppliers and local trade unions and conclude collective labour agreements to arrive at a balanced assessment of the socio-economic risks and to jointly find permanent solutions to violations in the production or supply chain.
- Freedom of association and the right to negotiate also result in agreed working conditions, such as in the area of occupational health and safety (OHS), outsourcing of work, working hours, pay, non-discrimination and minimum age limits.

²⁰ For a definition, see Appendix 2.

B. The Parties' joint aim is as follows:

- By 2017, all signatory parties will make freedom of association an explicit part of their company policy, including their production or supply chain. The texts used by the OECD and ILO will form the basis for the above. The Steering Group will ask enterprises to report on this by the end of 2017.
- By 2018, company policy will be communicated at all stages of the production or supply chain, including in local languages and to flexible workers.
- By 2019, it will be ascertained by random sampling or by consulting local civil-society organisations and/or trade unions whether freedom of association has been allowed at all stages of the enterprises' chain. Where this is not the case, the enterprise concerned must draw up a time-bound plan for improvement, covering a period of one year. If the period has elapsed and no improvement has been made, the supplier concerned will be dropped.

C. The Parties expect enterprises to take these or equivalent measures:

- To make freedom of association an explicit part of company policy, including the production or supply chain. The following may be part of the policy:
 - to encourage permanent and flexible workers to establish employee representation;
 - to promote the local, independent representation of workers (focusing additional attention on underrepresented groups such as women and young employees);
 - to promote the safety of these representatives as much as possible;
 - to enter into a consultation that is perceived to be timely, constructive and meaningful.
- To communicate company policy at all stages of the production or supply chain, including in local languages and to flexible workers.
- To include a clause in contracts with suppliers to the effect that they must encourage participation in workshops about freedom of association, e.g. by granting a paid day off or by providing an opportunity to attend an on-site training course;
- To investigate by random sampling or by consulting local civil-society organisations and/or trade unions whether freedom of association has been allowed at all stages of the enterprises' production or supply chain. If this is not the case in a particular enterprise, that enterprise must draw up a time-bound plan for improvement. If this plan fails to produce a result, the enterprise participating in the Agreement will impose sanctions, in the worst case resulting in termination of the contract with the supplier concerned.

D. The Parties recommend that enterprises join collective projects aimed at promoting freedom of association, such as:

- Joint Turkey Programme (JTP);
- The Strategic Partnership between FWF, Mondiaal FNV, CNV Internationaal and the Dutch Ministry of Foreign Affairs;
- Participation in the Indonesia Protocol for freedom of association;
- The collective project to be started with the aim of promoting freedom of association in Bangladesh.

E. The Parties agree:

- The Parties will draw up a road map in 2016 to promote freedom of association in the garment and textile sector. An attempt will be made to coordinate this with IndustriAll, the German Action Plan, donor efforts towards freedom of association and the EU Garment Initiative. First point of contact: trade unions. The following could be part of the road map:

- agenda and targets for actively encouraging and promoting freedom of association and eliminating existing obstacles;
- binding agreements between (groups of) brands and retailers and (groups of) manufacturers and the local trade union(s).
- FNV Mondiaal and CNV Internationaal will facilitate the provision of training courses for aspiring and existing trade union members; findings from these training courses may be shared with other Parties to the Agreement. First point of contact: trade unions.
- In 2017, the Dutch government will be organising, in association with trade unions, a "social dialogue" seminar for six countries from where the enterprises obtain most of their supplies. First point of contact: Dutch Ministry of Foreign Affairs.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Living wage

A. Whereas:

- In production countries, the minimum wage as set by the government is often much lower than a living wage²¹. In other cases, the minimum wage is high enough in theory but not applied or enforced in practice. To earn enough to survive, employees then have to work very long hours, putting their physical and mental health at risk.
- Low wages can keep employees trapped in poverty. This increases the risk of child labour and vulnerability to forced labour.
- In addition to the amount of the wage, problems regularly occur, such as failure to pay the wage on time, wage discrimination, unjust deductions or failure to pay the full rate for the hours and overtime worked.

B. The Parties' joint aim is as follows:

- At least a living wage in the production or supply chain by 2020.

C. The Parties expect enterprises to take these or equivalent measures:

- To make a living wage an explicit part of company policy, including the production or supply chain.
- To communicate the living wage company policy at all stages of the production or supply chain and also in the local languages. To outline their own role as an enterprise/brand in the Code of Conduct and what suppliers can expect of them in this area.
- To participate in living wage pilot projects in the production or supply chain, based on advice and information from stakeholders and available tools (such as the FWF Wage Ladder Tool, Asian Floor Wage, SKC, local trade unions, ISEAL Alliance Wage Indicator and/or the Fair Wage Method used by the Fair Wage Network).
- To make contact with other enterprises that buy from the same suppliers and/or collaborate with relevant trade unions and civil-society organisations to obtain greater leverage for the living wage.
- To ensure there is a living wage for their part of the purchase²². It will be agreed by consulting with the manufacturing company and employee representatives

²¹ For a definition, see Appendix 2.

²² They can use the following calculation method: Enterprises calculate the unit price the supplier would have to charge to be able to pay a living wage. This price can be calculated by dividing the actual living wage by the maximum number of items that a worker can produce in the time available.

how the surplus can help to close the gap between the going wage and a living wage. In this process, it is essential not to facilitate discrimination.

- To investigate by random sampling or by consulting local civil-society organisations and/or trade unions what wage is paid and whether the concept of a living wage is familiar at all stages of the production or supply chain and to monitor the progress of the pilot projects. If this is not the case in a particular enterprise in the production or supply chain, that enterprise must draw up a time-bound plan for improvement. If this plan fails to produce a result, the enterprise participating in the Agreement will impose sanctions, in the worst case resulting in termination of the contract with the supplier concerned.
- To analyse how purchasing practices help make a living wage possible. The aspects examined, for example, will include the bonus system operated by buyers and their negotiating methods, sampling, their relationship with the supplier, communication and the placing and amending of orders.
- To join forces with suppliers and employee representatives and/or trade unions to look at the options in terms of increasing productivity, order scheduling, volumes, and other purchase practices in order to make greater allowance for wages in the cost price.
- To reach agreements with governments that enterprises will not relocate their production if the minimum wage is revised or other forms of compensation are introduced.
- To join an initiative that provides support in working towards a living wage.

D. The Parties recommend that enterprises join collective projects aimed at introducing a living wage in the production or supply chain, such as:

- Action Collaboration Transformation (ACT);
- The Strategic Partnership between FWF, Mondiaal FNV, CNV Internationaal and the Dutch Ministry of Foreign Affairs;
- Wage Ladder Project of the Fair Wear Foundation and CNV in Macedonia;
- Solidaridad projects in the area of fair wages, including the Fair Wage Method project in China.

E. The Parties agree that:

- The Parties will draw up a road map in 2016 for achieving a living wage, targeting a number of priority countries, and report on progress. The priority countries are major production countries for the Dutch market, countries where there is a great difference between the going wage in the sector and the living wage, and countries where freedom of association is generally weak. First point of contact: industry organisations in collaboration with Solidaridad. The following could be part of the road map:
 - contacting other enterprises that buy from the same suppliers to obtain leverage for a living wage;
 - entering into a dialogue with suppliers and the local employees, trade unions and employers with the aim of making factory-specific agreements;
 - entering into a dialogue to underline the importance of transparent payment systems, collective bargaining and freedom of association;
 - best practices in structuring prices in the production or supply chain. For example, percentages are used instead of absolute amounts at many stages of the chain. When the employee's salary is increased, prices of items such as rental and transport increase by the same percentage. This means that paying a couple of cents extra for a T-shirt at the beginning of the chain can end up adding many euros to the selling price at the end of the chain.
 - best practices in terms of purchasing and pricing policy, which will make it possible to internalise a living wage.

- The Parties will explore the possibility of collaborating with ACT/IndustriAll, with the aim of increasing the statutory minimum wage to a living wage and making sectoral agreements in each production country. First point of contact: trade unions.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Safety and health in the workplace

A. Whereas:

- Workers, wherever they are in the world, have a right to a safe and healthy workplace. The fact that, too often, this is not the case, especially in less developed countries, is a sad reality.
- Some of the problems that arise do not specifically relate to the textile and garment sector, but are typical of the stage of development at which a developing country finds itself. For example, some problems relating to safety and health in the workplace are due to the fact that local governments do not have sufficient knowledge and/or capacity to maintain effective supervision of the safety of buildings. Often, this is not down to a lack of appropriate legislation or regulations, but to a lack of compliance, supervision and enforcement. This means that, to solve structural problems concerning this question, collaboration between several parties is required, both "here" and "there".
- Moreover, the problem of safety and health in the workplace is interwoven with other (fundamental) issues, such as freedom of association.
- Experience has now been acquired from the Bangladesh Accord on how to jointly promote safety and health.

B. The Parties' joint aim is as follows:

- For employees to work in healthy conditions and in a safe environment in the production or supply chain.

C. The Parties expect enterprises to take these or equivalent measures:

- To make agreements in supply contracts.
- To communicate company policy at all stages of the production or supply chain, including in local languages and to flexible workers.
- To investigate by random sampling or by consulting local civil-society organisations and/or trade unions whether safety and health in the workplace has been achieved at all stages of the enterprises' production or supply chain. If this is not the case in a particular enterprise in the production or supply chain, that enterprise must draw up a time-bound plan for improvement. If this plan fails to produce a result, the enterprise participating in the Agreement will impose sanctions, in the worst case resulting in termination of the contract with the supplier concerned.
- To pursue a zero-tolerance policy on sexual and physical violence, exploitation or abuse inside and outside industrial premises, including inspections and measures to be taken when it is suspected that violence, exploitation or abuse is taking place.

D. The Parties recommend that enterprises join collective projects aimed at promoting safety and health, such as:

- Bangladesh Accord;
- Buyers Forum in Pakistan.

E. The Parties agree:

- To consult with the Bangladesh Accord and local stakeholders (business, trade unions, civil-society organisations, government and safety experts) in 2016 (1) what experience has been gained from the Bangladesh Accord and (2) what is needed in the long term to guarantee safety on the shop floor through local legislation and regulations, capacity-building, expertise, availability of resources (fire safety equipment and financial resources) and the role of all the parties involved. First point of contact: to be decided.
- To carry out an analysis of the critical problems with regard to safety in the workplace in countries which are major suppliers of the Netherlands/EU. Influence will be exerted jointly on addressing these problems. Plans will be drawn up in consultation with international trade unions, civil-society organisations, industry organisations, governments and all the relevant local stakeholders to actually tackle the problems. First point of contact: to be decided.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Raw materials²³

A. Whereas:

- A major share of the adverse environmental impact in the textile chain can be attributed to the production of raw materials. For example, cotton production uses large quantities of water, pesticides and fertilisers, wool production emits large quantities of greenhouse gases and synthetic materials are usually manufactured from non-renewable resources.
- In recent years, much progress has been made towards a more sustainable use of raw materials, both in terms of the use of recycled materials and in terms of materials being cultivated or manufactured in a more sustainable way²⁴;
- The Dutch textile and garment sector can promote the use of sustainable materials by the way it develops and sources its products;
- Because of the imminent exhaustion of natural resources, it is important for the textile and garment sector to look for ways of promoting the recycling and reclaiming of raw materials in the sector. Efforts will be made to create a circular economy in which raw materials can be recycled to the maximum possible extent and the environmental impact is kept to a minimum.
- Raw materials can be saved by combating wastage. MVO Nederland is conducting research to ascertain what percentage of garments remains unsold and is destroyed.

B. The Parties' joint aim is as follows:

- To significantly reduce the environmental impact in the production or supply chain and create a circular economy in the garment and textile sector in the long term.

C. The Parties expect enterprises to take these or equivalent measures:

- To make agreements in supply contracts to reduce environmental impact, combat wastage and promote re-use.

²³ The term "raw materials" as used in the Agreement refers to all types of raw materials that can be used in garments, e.g. raw materials of natural, animal and synthetic origin, from primary production or recycled. This can include fibres and other materials (e.g. leather, felt, fur).

²⁴ Examples include: cotton grown in accordance with the Better Cotton Initiative; biological cotton; sustainable forms of man-made fibres, such as lyocell, a sustainable form of viscose.

- To acquire knowledge of the environmental impact of different types of fibres and to carry out an analysis of the fibres used in their collections. They can, for example, use the publicly available “environmental benchmark for fibres” or a “material sustainability index”.
- To set objectives or prepare an improvement plan to mitigate the impact of the total collection by using more environmentally friendly raw materials;
- To establish criteria for sustainable use of raw materials and communicate them to suppliers and chain partners;
- To join initiatives that make a direct contribution to reducing the environmental impact of raw materials, such as the Better Cotton Initiative, the Leather Working Group or initiatives to promote (used) textile collection and fibre recovery.

D. The Parties recommend that enterprises should join collective projects intended to reduce the environmental impact of the textile chain, including:

- European Clothing Action Plan (ECAP) by WRAP, MADE-BY and Rijkswaterstaat;
- Master classes in raw materials.

E. The Parties agree:

- To record in a manual the main insights from the programme with regard to sustainable raw materials, such as the existing options for reducing the impact of these sustainable raw materials and how to integrate them into brands’ supply chain in 2016. This manual will be shared both with the participating enterprises and with other brands and stakeholders using options such as the GIDRD platform. First point of contact: Dutch government.
- To draw up a road map in 2016 to develop a business case for recovering and re-using raw materials and avoiding wastage by changing purchasing practices. This will incorporate the lessons learned from the green deal on Textile Collection, the Circular Economy working group for the Action Plan and the SER advice on the circular economy which is set to be issued in 2016. First point of contact: industry organisations.
- To gain a greater insight into the availability of sustainable cotton and the importance of an increasing demand for sustainable cotton from enterprises in the garment sector. First point of contact: Solidaridad.
- To keep the Dutch industry actively informed of specific sustainability problems in the manufacture of raw materials of natural, synthetic and animal origin and to formulate plans on how to jointly address these issues (this can include social and animal welfare themes in the production of raw materials). First point of contact: industry organisations.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Water pollution and use of chemicals, water and energy

A. Whereas:

- The availability of sufficient clean water is regarded as one of the major problems to be faced in the near future. The large quantities of chemicals used in the dyeing, printing and washing processes to give textiles and garments the appearance and “handfeel” that consumers want are major sources of water pollution in many production countries. In addition, the industry often uses unnecessarily large amounts of energy in the above processes, which are often carried out at high temperature.
- Local legislation and regulations are regularly circumvented and not enforced.

- Environmental pollution in textile clusters has a major adverse impact on the local population, agriculture and other “water users”.
- Moreover, uncontrolled use of chemicals in the production or supply chain can result in undesired residues in the end product, such as those regulated in REACH.
- Improvements that result in a more efficient use of water, energy and chemicals are usually profitable, as projects such as the PaCT project in Bangladesh and the Better Mill Initiative in China have shown. On average, this type of investment has a pay-back period of three to five years, depending on the initial situation. However, this does not apply to improvements in essential sewage treatment systems.

B. The Parties’ joint aim is as follows:

- To significantly reduce the environmental impact caused by the use and discharge of water, energy and chemicals in the production or supply chain.

C. The Parties expect enterprises to take these or equivalent measures:

- To make agreements in supply contracts on the prevention of pollution and inefficient use of raw materials in textile and garment production;
- In those countries which due diligence reveals to be at a high risk of environmental pollution and inefficient use of raw materials, to place additional emphasis on mapping the production or supply chain and building relationships with the stages (upstream in the chain) where textiles/garments undergo dyeing and finishing;
- To actively request information from suppliers on the current situation and jointly identify options for improvement, e.g. by using the Facility Environmental Module of the Higg Index (SAC), or by issuing their own questionnaire;
- To acquire knowledge and implement trial projects to ascertain how a more aware design and product development process can minimise environmental and product safety risks, e.g. by using the PaCT Decision Support Guidance (IFC and Solidaridad), which will become publicly available in the course of 2016.
- To investigate whether existing certification schemes (e.g. Bluesign, Oeko-Tex STEP) and organisations such as the Sustainable Apparel Coalition or the ZDHC Group and collective improvement projects can help to achieve the targets set;
- To have a specific strategy after five years, building on the projects and activities which have already been completed, for achieving continuous improvement on this subject throughout the production or supply chain.

D. The Parties recommend that enterprises should joint initiatives aimed at reducing water pollution and the use of chemicals, water and energy:

- Master classes in water, chemicals and energy;
- Bangladesh Partnership for Cleaner Textile (PaCT) (IFC and Solidaridad);
- Better Mill Initiative/ Environmental Programme (Solidaridad);
- Race to the Top in Vietnam (IDH).

E. The Parties agree:

- Industry organisations, civil-society organisations and participating garment companies will evaluate existing initiatives in 2016 and develop a road map that increases knowledge in the Dutch textile and garment sector and facilitates capacity building on this subject in major production countries. First point of contact: industry organisations in collaboration with Solidaridad. The road map will consist of:
 - case studies and good practices that can contribute to the successful implementation of a business strategy on this theme;

- improving the situation of a number of important/strategic fabric manufacturers and actively promoting the reduction of environmental pollution during the dyeing and finishing of fabric by these strategic manufacturers.
- options for an adjusted design and purchasing policy which can have a positive impact on the pollution caused by dyeing and finishing.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Animal welfare

A. Whereas:

- Materials used in the fashion and textile industry may be of animal origin, such as wool, angora, silk, leather, down, hides and fur.
- In the EU, animals are considered to be sentient beings²⁵, and the Dutch Animals Act [*Wet dieren*] recognises that animals have an intrinsic value (Section 1.3) and must therefore be treated with respect.
- The production of fur is no longer morally acceptable in the Netherlands. This is reflected in the Dutch Act Prohibiting the Keeping of Animals for Fur Production [*Wet verbod pelsdierhouderij*] which has prohibited the keeping, killing or contracting the killing of furred animals since 15 January 2013, subject to a transitional period ending in 2024.
- High animal welfare standards can improve animal health, increase yield and improve the quality of animal products. In addition, healthy (stable, not over-exploited) populations of wild animals are necessary to enable ecosystems to function at their best and provide society with important ecological services.
- Legislation governing the welfare and treatment of animals in the production countries is often non-existent and, moreover, enforcement and supervision are often inadequate.
- International animal welfare guidelines and frameworks are often insufficient to guarantee animal welfare as part of the ambitions on international responsible business conduct of Dutch enterprises. It is therefore a necessary step to focus specific attention on animal welfare in those ambitions of garment and textile firms.

B. The Parties' joint aim is as follows:

- To prevent, reduce and eradicate animal suffering in the production or supply chain.
- To provide animal welfare guarantees when products of animal origin are used.

C. The Parties expect enterprises to take these or equivalent measures:

- To make agreements in supply contracts relating to the use of animal materials in the production of textiles and garments;
- To screen collections for the use of animal materials with a risk of animal welfare violations and take suitable action to keep this type of material out of the collection or to buy from suppliers with stricter animal welfare standards;
- To join traceability and assurance systems with independent certification that guarantee that the greatest possible care of the animal is taken when animal-based textiles and materials are being produced;
- To join initiatives which discuss alternative husbandry systems with stricter animal welfare standards, breeds or methods of production so as to exchange

²⁵ Article 13, TFEU (as amended by the Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community).

knowledge and obtain advice on alternative purchasing methods using suppliers with stricter animal welfare standards;

- To ensure that it is clearly and immediately apparent to consumers when purchasing garments and textiles whether or not they contain products of animal origin. In this way, consumers can choose between textiles and garments containing products of animal origin and non-animal alternatives;
- To contact local animal welfare organisations to find out about any malpractices relating to the use of specific types of animal materials and the possibilities for preventing or mitigating these malpractices;
- To research alternatives for garments and textiles containing products of animal origin and incorporate them in their production.
- To reduce waste in the garment and textile sector in accordance with European ambitions to achieve a circular economy, and to ensure that textiles, leather and other products of animal origin are used as efficiently as possible and, where possible, collected and re-used.
- Enterprises no longer use down from live-plucked and/or force-fed geese and ducks and will endeavour to stop using wool from mulesed sheep by 2018. They will implement traceability and assurance systems with independent certification to guarantee this.

D. The Parties recommend that enterprises should join initiatives that focus on eradicating animal suffering in the production or supply chain, such as:

- Fur Free Retailer Programme.

E. The Parties agree:

- The Parties will endeavour to achieve the voluntary phasing-out of the use and sale of fur, angora and skins of exotic species, including snakes and crocodiles, and protected species and will ensure that these kinds of products are not used in textiles, garments or shoes in their collections. First point of contact: to be decided.
- The Parties will endeavour, by 2018 at the latest, to achieve at EU level clear and immediately visible product labelling which states what species of animal (popular and Latin name) has been used in the garment and how the garment has been produced. First point of contact: to be decided.
- The Parties will endeavour, by 2018 at the latest, to devise traceability and assurance systems with independent certification (following on from the Traceable Down Standard and Responsible Down Standard) so that garments and textiles containing products of animal origin can be traced back to stockbreeders and farms and animal welfare standards can be monitored. First point of contact: to be decided.
- The Parties will join forces to arrive at a vision in 2016 for achieving an ethical way of treating animals for use in the garment and textile sector. First point of contact: to be decided. This vision will consist of:
 - A vision for animal welfare and criteria under which an animal may be used in textile production;
 - criteria for keeping animals, carrying out interventions (e.g. mutilation), treating/handling animals, obtaining material from live animals (e.g. sheep), transporting and killing animals;
 - criteria which animal farms must satisfy in order to be able to supply factories that produce garments for the enterprise, the minimum requirements being standards from relevant European and national regulations governing the treatment of animals (see Appendix 2);
 - a list indicating which products should be excluded for reasons of ethics, animal welfare or the protection of biodiversity;
 - The Parties will conduct research into and share knowledge of alternatives that can be used instead of animal materials.

- The Parties will during the term of the Agreement urge their message on different international processes (e.g. OECD) and initiatives (e.g. Sustainable Apparel Coalition) and on international textile and garment organisations (e.g. IWTO and the Foreign Trade Association) that animal welfare should be cited as an important criterion for international responsible business conduct. First point of contact: to be decided.
- The Parties are prepared to share their knowledge of the subject and to use their local contacts and networks to achieve the measures referred to at C and D.
- The Parties will communicate their knowledge at all stages of the production or supply chain, including in local languages and to flexible workers.

Appendix 2 – Definitions and references

Production or supply chain

A production, supply or value chain is the process from raw material to consumer or user. The chain consists of six stages:

1. Production of raw materials and fibres;
2. Manufacture of materials (textiles) from yarn, including weaving, knitting, braiding, tufting, finishing and dyeing stages;
3. Manufacture of components such as buttons, zips and garment trimmings;
4. Manufacture of garments;
5. Product design and development (often for brands);
6. Retail trade.

References:

- OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

Due diligence

According to the OECD Guidelines and UNGPs, due diligence is a process in which enterprises identify, avoid and mitigate the actual and potential adverse impact of their actions and account for how they deal with the risks identified. An important precondition for conducting due diligence on human rights is to formulate and embed a human rights policy.

If the due diligence process reveals that the enterprise has caused or contributed to adverse impacts, the enterprise should (help to) seek redress and/or remedy. These are adverse impacts caused by the enterprise, to which its business activities have contributed and/or which are the direct result of its business activities.

To summarise, the process consists of the following steps:

1. Formulating human rights policy within the enterprise;
2. Analysing and determining precautionary measures;
3. Embedding in the enterprise;
4. Monitoring progress and results;
5. Remedy and redress;
6. Communication

References:

- OECD Guidelines for Multinational Enterprises (2011)
- UN Guiding Principles on Business and Human Rights

Discrimination

Discrimination means unequal treatment of people in the same situation. Discrimination is not only based on gender, it is also based on other personal characteristics which are irrelevant in terms of doing the job, such as membership of a caste or religious group.

Discrimination mainly occurs in:

- policy and practice relating to healthy and safe working conditions;
- policy and practice relating to equal pay for equal work, promotion (opportunities) and salary levels;
- incidents relating to harassment on the shop floor and the measures taken to combat them;
- the gender distribution at the various positions in the production chain.

References:

- C100 Equal Remuneration Convention, 1951

- C111 Discrimination (Employment and Occupation) Convention, 1958
- C183 Maternity Protection Convention, 2000

Forced labour

This is defined as all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily. In the context of forced or compulsory labour, the involuntary nature of the work is not necessarily the result of violent coercion, such as violence or the threat of violence, but can also take more subtle forms, e.g. by withholding identity documents or psychological coercion.

It manifests itself in many different ways, including:

- Debt bondage: bonded labour resulting from previous debt, which sometimes may have been incurred before the worker's birth, or a contractual obligation;
- Forced labour for production purposes in prisons, labour camps or prisoner-of-war camps;
- Work under coercion and in inhuman conditions for irregular or non-existent pay;
- Coercive labour: people are indirectly coerced to work overtime because their usual pay is too low to live off.

It may also be linked to human trafficking. The purpose of human trafficking is usually exploitation, of which forced or compulsory labour is a form.

References:

- C29 Forced Labour Convention, 1930
- C105 Abolition of Forced Labour Convention, 1957
- ILO Protocol 2014 to the Forced Labour Convention

Child labour

Child labour is deemed to exist when a child (aged under 18) performs work that infringes on his/her right to education, is harmful to the physical and/or mental health of the child and his/her spiritual, moral or social development. ILO Convention 138 establishes a minimum age of 15. National legislation laying down a higher standard takes precedence.

Exceptions to the minimum age of 15 are permitted in countries specified by the ILO where the economic conditions and educational facilities are not sufficiently developed. The ILO has identified these countries at the request of the countries concerned and after consulting representative employer and employee organisations.

A child aged between 12 and 14 may perform light paid work, normally for approximately 12-14 hours a week, depending on the legislation. The work must not interfere with education. Neither must it be harmful, otherwise it falls directly within the definition of child labour. The definition of child labour also applies to young people aged between 15 and 17 who perform hazardous work or work in the worst forms of child labour, including slavery and prostitution.

References:

- C138 Minimum Age Convention, 1973
- C182 Worst Forms of Child Labour Convention, 1999

Freedom of association

Freedom of association means that employees have the right to organise themselves into trade unions and negotiate their terms of employment collectively. Employee representatives are not subject to discrimination and have access to all the necessary workplaces so that they can exercise their representative function. Employers are positive about trade union activities and maintain an open-minded attitude towards the organisational activities of these unions.

Freedom of association involves at least:

- freedom of association;
- the right of employees to organise themselves into trade unions;
- the right to collective bargaining;
- the right to strike.

References:

- C87 Freedom of Association and Protection of the Right to Organise Convention, 1948
- C98 Right to Organise and Collective Bargaining Convention, 1949

Living wage

The Universal Declaration of Human Rights (1948) states that everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity. The OECD Guidelines recommend paying a wage that "should be at least adequate to satisfy the basic needs of the workers and their families".

The ILO describes the living wage in its labour standards as follows: "a wage that is sufficient to provide for the basic needs of a family of average size in a particular economy." This means that a worker can at all events afford meals, rent, healthcare, education, clothes and transport and, at the same time, is able to save.

A living wage may therefore differ from one country, region or even city to the next. The amount can be calculated using the Anchor method. SA8000-certified enterprises conform to this method. Another method is the Asia Floor Wage (AFW), The method uses purchasing power parity to estimate what a living wage is for garment workers in various countries across Asia. The Fair Wage Method defines a fair wage on the basis of twelve dimensions, including not only a living and minimum wage but also overtime, contracts, communication and social dialogue.

Animal welfare

In the EU, animals are considered to be sentient beings. The Dutch Animals Act [*Wet dieren*] states that the intrinsic value of animals must be recognised (Section 1.3) and that animals must be treated with respect. The Act contains rules on the treatment of animals.

In the EU, most animals whose products are used in textiles and garments fall within the scope of Directive 98/58/EC concerning the protection of animals kept for farming purposes, which lays down minimum standards for keeping and handling animals. Other EU regulations and directives also apply (see the list under References), as well as various recommendations of the Council of Europe, including the recommendation on fur farming.

Since May 2005, the OIE has established ten animal welfare standards in the Terrestrial Code and four in the Aquatic Code through the World Assembly of OIE Delegates. These standards are in development and are regularly updated to include the most recent scientific findings. They should therefore be included in this process on an ongoing basis.

The Five Freedoms are the standard principles used in the international animal welfare dialogue. These state that animals must be:

1. free from thirst, hunger and incorrect feeding by ready access to fresh water and a diet to maintain good health and vigour;
2. free from physical and thermal discomfort by providing an appropriate environment including shelter and a comfortable resting area;
3. free from pain, injury or disease by prevention or rapid diagnosis and treatment;
4. free from fear and chronic stress by ensuring conditions and treatment which avoid mental suffering;
5. free to express their natural behaviour by providing sufficient space, proper facilities and company of the animal's own kind.

References:

- Labelling: Regulation (EU) No. 1007/2011 on textile fibre names and related labelling and marking of the fibre composition of textile products
- Dog and cat fur: Regulation (EC) No. 1523/2007 of the European Parliament and of the Council of 11 December 2007 banning the placing on the market and the import to, or export from, the Community of cat and dog fur, and products containing such fur
- Sealskin: Regulation (EC) No. 1007/2009 of the European Parliament and of the Council on trade in seal products
- Animals: Dutch Animals Act [*Wet dieren*]
- Animals: Dutch Flora and Fauna Act [*Flora- en faunawet*]
- Farm animals in general: Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes
- Killing: Council Regulation (EC) No. 1099/2009 of 24 September 2009 on the protection of animals at the time of killing
- Calves: Council Directive 2008/119/EC of 18 December 2008 laying down minimum standards for the protection of calves
- Transport: Council Regulation (EC) No. 1/2005 of 22 December 2004, on the protection of animals during transport and related operations and amending Directives 64/432/EEC and 93/119/EC and Regulation (EC) No 1255/97
- Pigs: Council Directive 2001/88/EC of 23 October 2001 amending Directive 91/630/EEC laying down minimum standards for the protection of pigs; Commission Directive 2001/93/EC of 9 November 2001 amending the Annex to Council Directive 91/630/EEC on the welfare of pigs; Council Directive 2008/120/EC of 18 December 2008 laying down minimum standards for the protection of pigs
- Chickens: Council Directive 1999/74/EC of 19 July 1999 laying down minimum standards for the protection of laying hens; Council Directive 2007/43/EC of 28 June 2007 laying down minimum rules for the protection of chickens kept for meat production
- Horses: Commission Regulation (EC) No. 504/2008 of 6 June 2008 implementing Council Directives 90/426/EEC and 90/427/EEC as regards methods for the identification of equidae; Council Directive 90/426/EEC of 26 June 1990 on animal health conditions governing the movement and import from third countries of equidae; Council Directive 90/427/EEC on the zootechnical and genealogical conditions governing intra-Community trade in equidae
- Fur animals: Dutch Act Prohibiting the Keeping of Animals for Fur Production [*Wet verbod pelsdierhouderij*]
- Fur animals: Recommendation concerning fur animals of the Council of Europe adopted on 22 June 1999)

Appendix 3 – Guide to Due Diligence and Purchasing Practice

Expectations of government and society

The Dutch government, consumers, employer and employee organisations and civil-society organisations expect the Dutch business community to do business with respect for people and the environment. This is laid down internationally in the OECD Guidelines for Multinational Enterprises (OECD guidelines)²⁶, the UN Guiding Principles on Business and Human Rights²⁷ (UNGPs) and the labour standards of the International Labour Organisation (ILO)²⁸ which are included in them. The business community must comply with these frameworks²⁹.

Doing business internationally brings with it risks, giving rise to the possibility that enterprises will violate the above-mentioned international frameworks and standards through their business activities. For this reason, enterprises are expected to know their production or supply chains and take the steps required to prevent harm.

International responsible business conduct requires “Due Diligence”

The UN Guiding Principles on Business and Human Rights and the OECD Guidelines stipulate that enterprises that do business internationally themselves or via their production or supply chain must conduct “due diligence”. In the business world, the term *due diligence* is most familiar from its use in mergers and acquisitions and in accountancy. In these cases, it is about identifying financial risks, e.g. during a takeover.

In terms of international responsible business conduct, due diligence is the continuous process in which enterprises identify, prevent and reduce the actual and potential adverse impact of their own operation or business relationships in the production or supply chain³⁰, and account for how they deal with the identified (risks of) adverse impact.³¹

In this guide, adverse impacts in the production or supply chain refer to issues such as child labour, exploitation of employees or environmental damage which are associated with buyers in the Netherlands through their international supply chain.

When conducting due diligence, it is not the risks to the enterprise which are prioritised but the rights of and actual and potential adverse impact on other *stakeholders*. Examples include employees in the enterprise itself or on production locations, the environment and local communities.

It is of primary importance for enterprises to identify **where, in their own management system or in the production or supply chain**, adverse impacts are likely to arise for stakeholders. It is then important to verify the identified (risks of) adverse impacts for internal and external stakeholders.

²⁶ <http://www.oecd.org/investment/mne>

²⁷ <http://business-humanrights.org/en/un-guiding-principles-on-business-and-human-rights-1>

²⁸ <http://www.ilo.org/global/lang--en/index.htm>

²⁹ For further information, please visit www.oesorichtlijnen.nl and www.ser.nl/nl/themas/imvo

Second, it is important to decide **what** to address. When it is not possible to address every issue at the same time, priorities have to be set. Enterprises should then focus on preventing and reducing the worst impacts or any impacts that would be irreversible if intervention was left until later. The main criteria are therefore the severity of the risks and the probability that they will arise.

The enterprise can then ascertain **how to prevent and reduce (the risks of) adverse impacts in order of priority**. Where the enterprise has substantial leverage in terms of preventing and reducing an adverse impact, it will have more direct options for minimising risks, in consultation with stakeholders.

Where an enterprise itself is the cause of harm in its production or supply chain or has contributed to it, the enterprise must offer redress and compensation. If, despite not having caused the harm or contributed to it, the enterprise has been “directly involved” in actions that resulted in harm, the enterprise must endeavour to induce other responsible parties to offer redress and compensation and/or contribute to any redress or compensation itself.

Often, enterprises tend only to address (risks of) adverse impacts that are within their sphere of influence. But even if they only have limited leverage and there are complex problems upstream in the production or supply chain, there are often possibilities for increasing this leverage by collaborating with others (e.g. by participating in joint projects with other enterprises or in a multi-stakeholder initiative). Creative thinking with other participating enterprises and stakeholders can produce new insights and ideas.

It is important that enterprises monitor the effectiveness of the actions they have taken. A positive side-effect of due diligence is that a better insight into an enterprise's own business processes and production or supply chain also identifies opportunities that can be exploited, e.g. to make better products, make production processes more efficient and enjoy reputational benefits.

The due diligence process enables enterprises to address risks of adverse impacts on human rights, working conditions, the environment, animal welfare, etc. in a structured way. It is generally in the interests of employees and other stakeholders for the business relationship to continue while improvements are being made. In some cases of risks with very serious and irreversible consequences, it may be decided to suspend a relationship temporarily while efforts are made to reduce the risks. The last resort will be to end the relationship once attempts to reduce risks have failed, and if the enterprise does not consider risk reduction to be feasible. In its decision to end a relationship, an enterprise must take account of the possible adverse socio-economic impacts (e.g. the loss of jobs) of this ending of the relationship.

Objective of the guide

The guide is a simple step-by-step plan that enterprises in the garment and textile sector can use to carry out a risk-opportunity analysis and map their own production or supply chain. With the aid of the results from this analysis, enterprises will be able to make appropriate efforts to prevent and reduce risks and, where possible, exploit the opportunities available.

Enterprises that participate in the Agreement will enter into an obligation to submit an action plan to the AGT Secretariat and provide information on the production or supply

chain, identified risks and the results of the approach to risks and actual violations (as mentioned in step 5). This is an investment in time and resources, but one which can provide many benefits for an enterprise, its partners and the chain.

This step-by-step plan is based on the five steps in the OECD Guidance for the textile sector.³² It is intended to help enterprises in the garment and textile sector to draw up their own action plan, which they can submit to the AGT Secretariat for assessment.

N.B. There are several multi-stakeholder initiatives that assist enterprises in their due diligence or can even arrange part of that process for enterprises. The AGT Secretariat has a list of the initiatives that could be of assistance, depending on the theme or element of the due diligence process.

Step-by-step plan

<p>1. How do I embed due diligence in my business processes and monitoring systems?</p>	<p>This first step is necessary to ensure that the analysis of the production or supply chain does not have to be repeated from scratch each time. If, for example, due diligence is included at the start when training buyers and preparing purchase documents and monitoring protocols, this saves a lot of additional work later. For example, consider the following steps:</p> <ul style="list-style-type: none"> • Draw up a policy on international responsible business conduct (containing subjects as described above and specifying the principles to which the enterprise feels committed) and integrate it into business processes (including in the risk management system, e.g. with a code of conduct, and purchasing systems) • Determine which positions will be involved in the policy and decision-making process, including buyers • Communicate the policy in the production or supply chain • Amend monitoring and auditing protocol and add subjects • Set up a complaints mechanism, where individuals, groups and organisations who experience adverse impacts through the actions of the enterprise can take any complaints
<p>2.1. What do I make and where do I make it? Know your production or supply chain</p>	<p>The next step is to map the products that you make/have made.³³ Steps to be taken:</p> <ul style="list-style-type: none"> • List end products (garments, accessories, pockets, etc.) • Break down products into components (materials, buttons, zips, etc.) in order to be able to assess product risks and the possible impact on working conditions, human rights and the environment in the production or supply chain • Map the tiers (e.g. agent/factory/subcontractor/etc.) and part of the production process (CMT, spinning mills, weaving mills, dye works, etc.) for the production chain concerned • Map the country in which the product is manufactured and the region inside that country • Map the factory location(s) and locations of (legal) subcontractors in the chain concerned. Also check whether there is a risk of illegal subcontractors being used. <p>Because the Parties to the Agreement have an interest in obtaining</p>

³² OECD, Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, Draft for consultation, September 2015

³³ Setting priorities is expressly part of the step towards mapping the chain. Priorities must always be based on risks, see 2.3. That is why due diligence must be conducted for all products.

	<p>information on possibilities for taking joint action, an enterprise which is participating in the Agreement must supply the following information to the AGT Secretariat, which the secretariat will treat in confidence:</p> <p>from Year 1:</p> <ul style="list-style-type: none"> ▪ the countries in which their products (CMT) are manufactured; ▪ for each country: the production locations (names and addresses) and production processes concerned and turnover (as a percentage of their own turnover and in euro); <p>from Year 2:</p> <ul style="list-style-type: none"> ▪ the raw materials used in their collections and the risks identified in the use of these raw materials. <p>from Year 3 at the latest:</p> <ul style="list-style-type: none"> ▪ the subsequent links in their production or supply chain (including raw material suppliers, spinning mills, weaving mills and dye works);
<p>2.2. What general risks are associated with my product(s)?</p>	<p>Identify the potential risks in terms of human rights, working conditions, the environment (NB: environmental risks can lead to violation of human rights!) and corruption for the various products, production locations and production processes. Certainly in the field of freedom of association and living wage you should also consult stakeholders (including employees, local NGOs and local trade unions) who have a lot of insight into the actual situation on site and let them know what is done with the information provided by them.</p> <p>This general analysis is based on available tools, such as the CSR Risk Check (www.mvorisicochecker.nl/en), and the knowledge of experts on specific countries and/or sectors. This gives an idea of the risks that can be identified as regards the product, production process and the product location. The Parties involved in the Agreement on the Garment and Textile Sector have taken a first step towards prioritising the specific risks and opportunities to be reviewed in the garment and textile chain.</p> <p>This does not cover all the issues that could arise, but the Parties expect participating enterprises to expressly focus on the following nine themes in their risk analysis:</p> <ol style="list-style-type: none"> 1. Discrimination and gender; 2. Child labour; 3. Forced labour; 4. Freedom of association; 5. Living wage; 6. Safety and health in the workplace; 7. Raw materials; 8. Water pollution and use of chemicals, water and energy; 9. Animal welfare. <p>If risks other than the above themes are identified, they will also be included in the risk analysis.</p>
<p>2.3. What is my relationship to the (risk of) the adverse impact(s) identified? Causal, contributory, directly linked or not directly linked?</p>	<p>In this step, you determine what the relationship is between the enterprise's actual and potential "adverse impacts" on all the themes (see examples above) in your own production or supply chain and among the enterprise's business relationships.</p> <p>Your own production or supply chain:</p> <ul style="list-style-type: none"> • Production location: region-specific aspects (e.g. problem of forced

	<p>labour in South India)</p> <ul style="list-style-type: none"> • What monitoring/certification systems (quality marks) are used and by whom? • Who exactly are your chain partners, e.g. is there illegal subcontracting or home working? • Production processes on site (unskilled work, use of machinery and hazardous substances) • What is your relationship with chain partners (reputation, length of contracts, personal contact, etc.) <p>It may not be possible to address all the (risks of) adverse impacts simultaneously. Prioritisation is therefore an essential element of this step. When prioritising risks, you have to consider them in a coherent manner on the basis of:</p> <ul style="list-style-type: none"> • How severe is the identified adverse impact in terms of its extent, the number of people affected and the possibility of the consequences being irreversible? • How probable is it that the adverse impact will occur and what is the likelihood of an adverse impact? <p>In this way you address all the risks in order of severity.</p>
<p>3. How do I address risks? (prevention, reduction, redress, compensation)</p>	<p>When an enterprise identifies a risk of causing an adverse impact in the context of its production or supply chain, it must take the necessary steps to ward off or prevent the adverse impact.</p> <p>The following is essential to developing an action plan:</p> <p><u>1. Actual adverse impacts:</u> how can I prevent them or what can I do to mitigate/compensate for harm already done?</p> <p><u>2. Risks of adverse impacts:</u> what is a realistic effort/what is within my power to prevent/reduce risks? In both cases, you should collaborate as much as possible with vulnerable/affected parties and other stakeholders to determine what actions are necessary and who will be responsible for each part of these actions.</p> <p>The Parties to the Agreement expect the participating enterprises to explicitly set their own quantitative and qualitative objectives and achieve measurable results for their priority themes for improvement during the term of the Agreement, broken down into objectives to be achieved after three and five years.</p> <p>First and foremost, it is important to consider the relationship between your own purchasing policy and practice and the risks identified. For example, risks may be associated with pricing policy, delivery dates and length of relationship with suppliers, or with trade practices such as last-minute changes in orders or unexpected follow-up orders, etc.</p> <p>When a risk cannot be resolved by an enterprise on its own, it can increase its leverage by combining forces with other enterprises and stakeholders, in the Agreement on the Garment and Textile Sector and in collective projects, and also with other multi-stakeholder initiatives that make a concerted effort to reduce relevant risks for the enterprise.</p>

	<p>The action plan may include:</p> <ul style="list-style-type: none"> • Involving chain partners • Entering into discussions with chain partners about the identified risks, desired situation and expected improvements • Involving and collaborating with civil-society organisations (NGOs, trade unions, etc.) • Joining forces with the relevant chain partner to start a project/obtain advice in order to identify the causes of and solutions for the problem found and make improvements • Transparency policy • Using audit/certification process • Etc. <p>The Parties to the Agreement have drawn up recommendations with regard to the nine themes that they identified for measures to be taken and, for some themes, also formulated collective projects aimed at finding solutions that transcend company boundaries. If an enterprise does not accept these recommendations for a theme that it has prioritised, or does not participate in the collective projects, it must argue its case convincingly.</p> <p>Handy additional tool: MVI Step-by-Step Plan by NEVI and MVO Nederland (http://www.mvonderland.nl/tool/stappenplan-mvi)</p>
<p>4. How do I ascertain that my actions have led to an improvement?</p>	<p>Any actual adverse impacts must have been reduced and remediated within a reasonable time and the risks of severe adverse impacts must have been prevented or reduced. N.B.: due to developments inside and outside the enterprise, in the market and in the countries where products are manufactured, due diligence requires a continuous process and therefore also a focus on resolving actual and potential risks.</p> <p>Information on the impact of measures can come from</p> <ul style="list-style-type: none"> • A visit to or inspection of the suppliers concerned; • Consultations with victims; • Consultations with other local and international stakeholders; • Audits and surveys to ascertain whether measures have resulted in improvements; • Reports published by joint (multi-stakeholder) initiatives, such as the Agreement on the Garment and Textile Sector; • The nature and number of complaints made to the complaints mechanism. • Etc. <p>When an improvement is found to be unsatisfactory, Step 3 (or, when new risks arise, Step 2) must be repeated.</p>
<p>5. How do I provide an insight into my activities? (Transparency and Communication)</p>	<p>The UNGPs impose conditions on the communication of risks on adverse impacts. In the event of serious risks, enterprises are expected to issue a report in a form that makes it possible for others to assess their approach to risks and violations. In addition, enterprises are expected to submit information on their approach to risks and actual violations at the request of victims.</p> <p>N.B. The Agreement Steering Group will publish an annual report on the progress of the implementation of the Agreement.</p>

	<p>The Parties to the Agreement expect an enterprise also to communicate in public itself by the third year of participation in the Agreement. The Steering Group has agreed on the substantive information to be publicised.</p> <p>Furthermore, enterprises can actively call on Parties to address identified problems and seek solutions with them. This should preferably happen in consultation with other parties, such as civil-society organisations, trade unions and public bodies. They can use the consultation in the framework of the Agreement on the Garment and Textile Sector to this end.</p> <p>As an enterprise, it can be interesting to clearly link communication about your own activities, for example, to the product being sold. You could for example inform the customer about the way you check the use of chemicals in the toys that you sell or reduce the use of water in the production of the cotton garments that you sell.</p> <p>Another example would be to provide information on your website about the way you go about improving working conditions in your production or supply chain, by referring to the standards you use and the initiatives you are taking in this regard.</p>
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Appendix 4 – Criteria for assessing action plans for individual due diligence

The AGT Secretariat will assess the quality of the annual action plans that enterprises will be preparing as part of their due diligence.

The starting point for the AGT Secretariat when assessing the action plans submitted by enterprises will be, in addition to the text of this Agreement, the OECD Guidance for Responsible Supply Chains in the Garment and Footwear Sector, as viewed within the relevant context of the enterprise concerned.

In general, the following main questions are asked during the assessment (N.B. the texts of the Agreement and the OECD Guidance are leading):

Policy and organisation:

- Has the enterprise formulated and communicated to itself (the employees), suppliers and other stakeholders in its production or supply chain what its own principles are for “international responsible business conduct” or planned to do so within six months?
- How have these principles and the need to be able to perform careful due diligence been incorporated into the enterprise’s organisation and the way in which the enterprise deals with suppliers and stakeholders in its production or supply chain?

Risk analysis:

- Has the enterprise carefully investigated which potential or actual adverse impacts are associated with it through its production or supply chain (the analysis of risks on adverse impacts)? This includes whether the enterprise currently has insight into the chain; how the enterprise has acquired information on any adverse impacts; are there, especially for the themes of freedom of association and living wages, local stakeholders consulted and what follow-up is given to it; whether it has looked further than the first supplier; what adverse impacts have been prioritised and why?
- Does the enterprise have insight into its production or supply chain and has it provided the AGT Secretariat with the following information?
 - from Year 1:
 - the countries in which their products (CMT) are manufactured;
 - for each country: the production locations (names and addresses) and production processes concerned and turnover (as a percentage of their own turnover and in euro);
 - from Year 2:
 - the raw materials used in their collections and the risks identified in the use of these raw materials.
 - from Year 3 at the latest:
 - the subsequent links in their production or supply chain (including raw material suppliers, spinning mills, weaving mills and dye works);
- If it does not have a complete insight into its production or supply chain, the enterprise will indicate where gaps currently exist (geographically and/or stages in the chain) and will state in its action plan how further insight will be obtained step by step. What are the findings of the risk analysis, with specific regard to the nine themes that the Parties to the Agreement have explicitly listed?
- Has the enterprise carefully prioritised its activities based on the following questions:
 - What is the likelihood of an adverse impact?
 - How severe is that impact in terms of its extent, the number of people affected and the possibility of the consequences being irreversible?
- Does the enterprise have insight into the causes that contribute to these risks, to what extent has it analysed how its own purchasing process (delivery times, pricing,

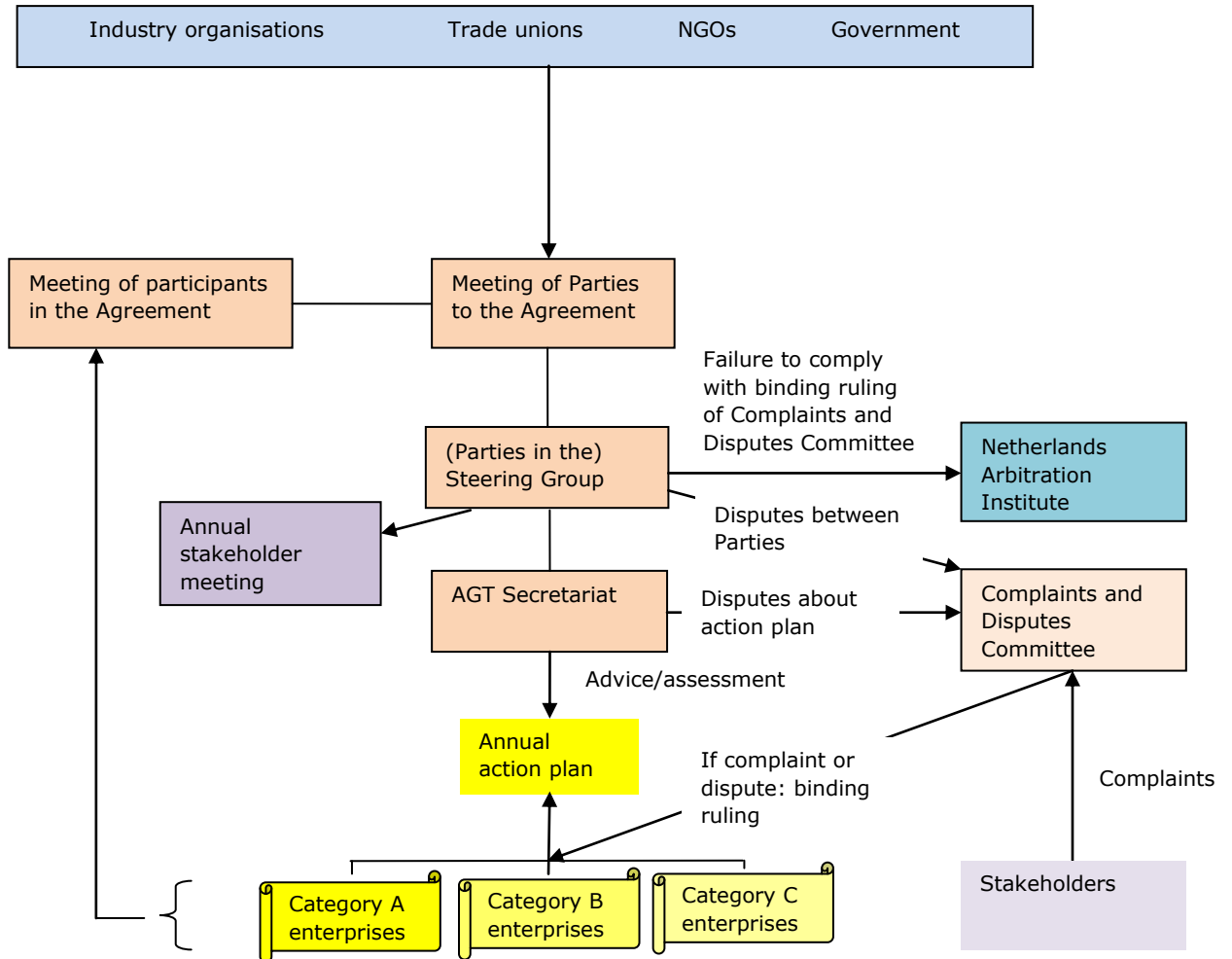
duration of contracts, etc.) contributes to potential (risks of) adverse impacts and what are the main potential improvements that can be made?

Action plan:

- Does the action plan take sufficient account of the risks identified and prioritised?
- Does the enterprise have insight into the leverage that it has in its approach to priority risks?
- What measures will the enterprise be taking to reduce/eliminate the identified risks with regard to one or more of the nine themes specified by the Parties to the Agreement which were prioritised on the basis of the above procedure? For example:
 - Has the enterprise followed the recommendations made for each theme by the Parties to the Agreement? If not, does the enterprise have good reasons for this?
 - Where the Parties to the Agreement have set up collective projects on this theme, does the enterprise participate in them? If not, does the enterprise have good reasons for this?
- Has the enterprise set itself quantitative and qualitative objectives for improvement with regard to the themes concerned for the duration of the Agreement, broken down into objectives after 3 and 5 years? How are they being monitored?
- Has the enterprise taken measures that will give it a deeper insight into its production or supply chain for currently unknown stages? How does the enterprise ensure that a process of continuing improvement is in place? For example: have the results of the measures been verified; will the approach be adjusted, if necessary based on the results of the verification; is the risk analysis being periodically reviewed?
- How does the enterprise itself publicise the due diligence it has conducted? Will the enterprise also communicate in public by the third year of participation in the Agreement, in accordance with what has been agreed by the Steering Group with regard to substantive information to be published?

The AGT Secretariat will assess the answers to the above questions on the basis of what could reasonably and fairly be expected in the light of the specific circumstances of the enterprise concerned and taking account of the notion that the implementation of due diligence requires a learning process in which more can be expected of enterprises which are larger, exert greater influence on the production or supply chain and/or have more experience. Along with the analysis and action plan, enterprises will be encouraged to send additional information which shows that expectations have been met. To avoid duplication of effort, enterprises which have joined a chain initiative will be asked, where relevant, to refer wherever possible to the principles and working methods of that initiative or to use the information to be supplied for that initiative to answer the above questions.

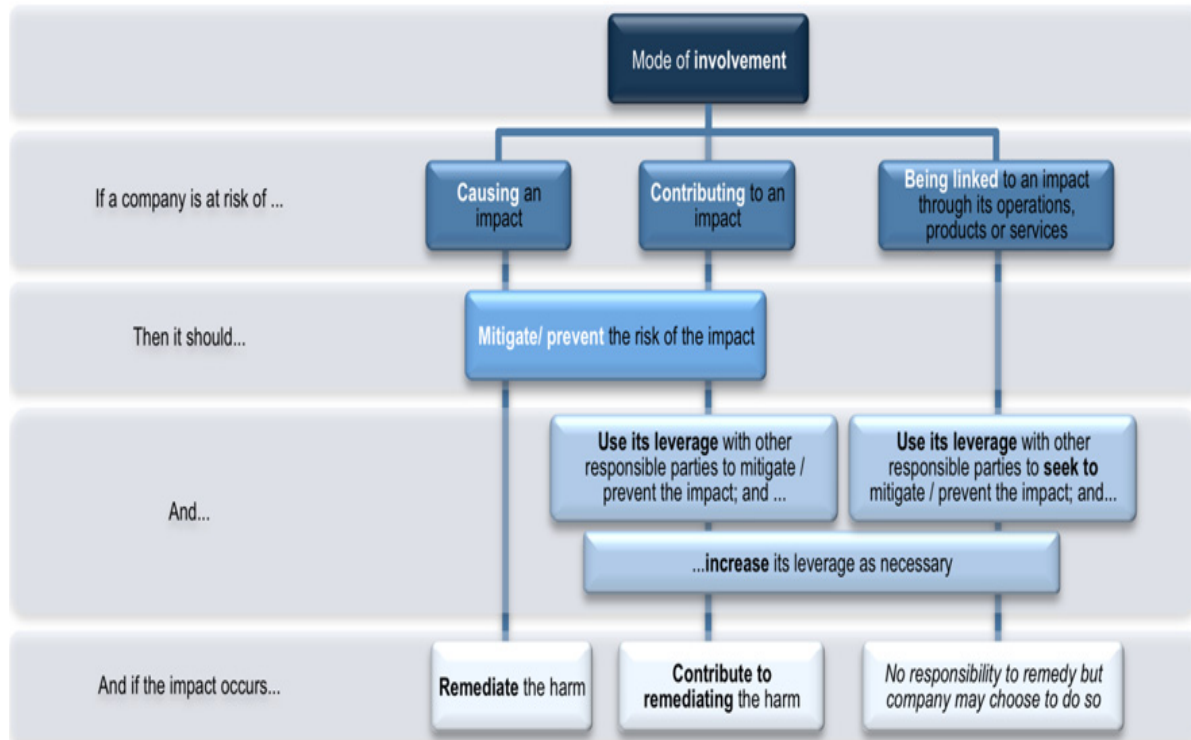
Appendix 5 – Schematic view of governance



Appendix 6 - Funding

To be determined

Appendix 7 – UN Guiding Principles on Business and Human Rights on mode of involvement in adverse impact on human rights and expectations in this regard



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Appendix 8: Members of the Working Group

The negotiations were conducted by industry organisations, trade unions, civil-society organisations and the Dutch government. The agreement has been drafted under the guidance of the Social and Economic Council of the Netherlands (SER).

Stakeholders Fair Wear Foundation, IDH sustainable initiative and BSCI were consulted during the preparation of the Agreement.

Members

Deputies

Chair

Pierre Hupperts (chair)

Members representing employers

Jeroen van Dijken (VGT)

Eus Peters

Femke den Hartog (Inretail)

Jef Wintermans (Modint)

Peter Koppert

Members representing unions

Theo Katerberg (CNV)

Karen Bouwsma

Twan van Lieshout (FNV)

Lucia van Westerlaak

Jacob Plat (FNV)

Members representing civil-society organisations

Lonneke Bakker (Vier Voeters/Four Paws)

Gerard Oonk (Stop Child Labour Coalition /
India Committee of the Netherlands)

Leonie Blokhuis (Stop Child
Labour Coalition / Hivos)

Marieke Weerdesteijn (Solidaridad)

Tamar Hoek

Mark Wijne (UNICEF)

Members representing the Dutch government

Jos Huber (Ministry of Foreign Affairs)

Mariëlle van der Linden (Ministry of Foreign Affairs)

Pauline Blom

Office

Nikolai Bloem (SER)

Alexandra van Selm (SER)

Jan van Wijngaarden (SER)

The Social and Economic Council of the Netherlands

The Social and Economic Council of the Netherlands (Sociaal-Economische Raad, hereafter SER or Council) advises government and parliament on the outlines of national and international social and economic policy and on important legislation in the social and economic sphere. The Council is also responsible for the enforcement of certain laws.

The SER was founded in 1950 pursuant to the Industrial Organisation Act (Wet op de bedrijfsorganisatie). Employers, employees, and independent experts are all represented on the Council. The SER is an independent body that is funded by Dutch industry. Several permanent and temporary committees support the SER in carrying out its functions. Some permanent committees may at times also carry out their mandate independently.

Please visit the SER's home page at www.ser.nl and its section in English. It offers a host of information, such as on the composition of the SER and its committees. Each of the nearly 1000 Dutch language advisory reports that have been published since 1950 are also available on the website. Some reports or abstracts thereof are equally available in English. In addition, advisory reports that have been published recently in Dutch are available in printed form.