

# IRBC Agreements

*Agreement on Sustainable Garments and Textile*

## AGT Assessment Framework

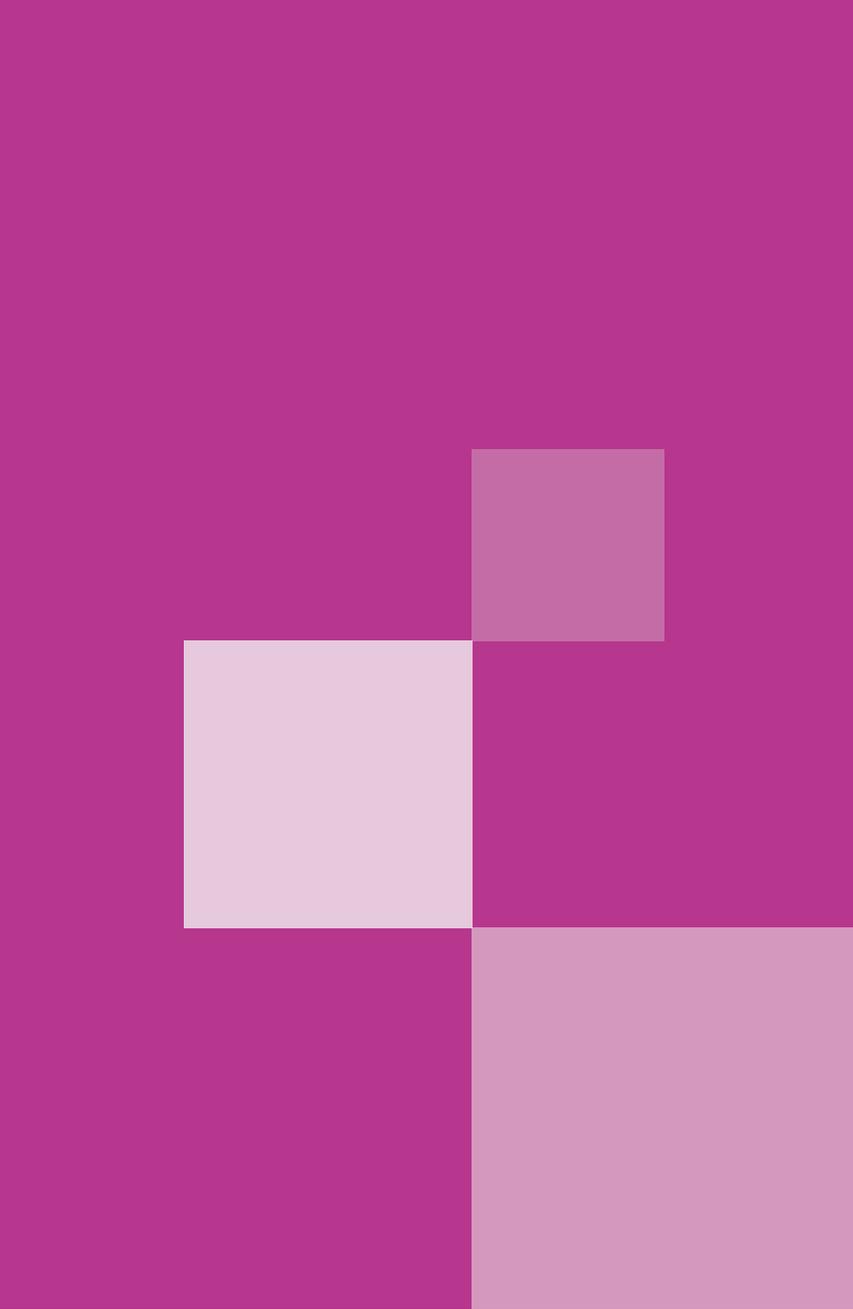


# AGT Assessment Framework

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# AGT Assessment Framework



# 1 Introduction

The Dutch Agreement on Sustainable Garments and Textile lists the obligations that companies are required to meet. These obligations provide the basis for effort and result indicators. The Secretariat uses these indicators to assess the participating companies.

This assessment criteria are based on the OECD Guidelines for Multinational Enterprises, which are elaborated in the Agreement (see Appendix 4). The sections of this document match the steps in the assessment process. All companies are measured against the same yardstick.

## The same yardstick for all companies

Small companies with relatively simple supply chains encounter fewer risks than large companies with complex supply chains. Large companies must therefore often make a greater effort to meet their obligations under the Agreement.

Smaller companies with complex supply chains are measured against the same yardstick. However, they will need to undertake a relatively larger number of actions to address their risks and make a greater effort to gain insight into their supply chain.

The indicators consist of different elements. The minimum requirements that companies must meet are established on an annual basis. The requirements are cumulative. This is important for demonstrating a continuous process of improvement.

### Purpose of assessment

The assessment serves different purposes:

- To encourage companies to meet their obligations under the Agreement.
- To establish whether companies understand the due diligence concept and have implemented it in their operational management.
- To measure and monitor progress in the due diligence process.
- To report on the progress of the due diligence process.
- To measure and monitor progress towards achieving concrete results in the nine themes.
- To report on progress towards achieving concrete results on the nine themes.
- To offer external stakeholders transparency.



## 2 Basic conditions

In addition to the obligations arising from the Agreement, participants must also meet a number of basic conditions. Every participant has an intake interview and submits four documents every year.

- **Intake interview** – The Secretariat invites all companies participating in the Agreement for an intake interview. The purpose of the interview is to explain the procedures under the Agreement and to gain an understanding of the nature of the company and how it operates. Based on this information, the Secretariat makes an initial estimate of the risks that the company may encounter.
- **List of production sites** – Part of the due diligence process is to draw up a risk analysis. The risk analysis is based on three questions: what do I make, where do I make it, and how do I make it? The list of production sites answers the question ‘Where do I make it?’. Publication of the aggregate list of all production sites represents a step towards full transparency. The longer companies participate in the Agreement, the more insight they gain into their supply chains.
- **List of materials** – The list of materials answers the question ‘What do I make?’. This question is also part of the risk analysis that every company must make.
- **Due diligence questionnaire** – Answering the questions in this questionnaire helps companies work through the due diligence process correctly. The list helps companies understand what is expected of them and what obligations they must meet.
- **Action plan** – Participating companies are required to draw up an action plan. The plan describes what steps that the company has taken in the due diligence process and what insights those steps have produced.

Drafting these documents is part of the due diligence process that companies work through. The Secretariat uses these documents and other information to assess the relevant company. That is why it is important for companies to submit these documents to the Secretariat *on time* and *in full*.

Failure to submit these documents on time and in full has consequences:

- A company that fails to submit the documents by the agreed deadline is given a *two-month extension*. A maximum of 15 points are deducted for tardy submission.

- Companies that fail to meet the extended two-month deadline are not assessed. Their cases are escalated to the Steering Committee and, ultimately, to the Complaints and Disputes Committee.

If the documents are received on time and in full, the Secretariat will assess their contents based on the effort and result indicators described below.

## 3 Effort indicators

The effort criteria focus on the due diligence *process*, a continuous process that is never 'done'. The effort indicators cover:

- **Whether the company understands the due diligence process:** evidence that indicates the extent to which the company understands the concept of due diligence and is carrying out the process correctly.
- **Management systems and implementation:** the systems/mechanisms put into place and used to embed responsible business conduct in operational management and incorporate the outcomes of the process permanently into operational management.

The effort criteria are derived from the due diligence questionnaire (steps 1, 2 and 4) and are tagged in the e-tool. The 'comply or explain' principle applies to all effort criteria listed below.

### 1. Policy and organisation

#### 1.1 Has your company drawn up an IRBC policy? (26 points)

- 1.1.1 Does your IRBC policy support the working methods, the nine main themes, and the international guidelines cited in the Agreement?
  - 1.1.1.1 Does your IRBC policy address Discrimination and Gender?
  - 1.1.1.2 Does your IRBC policy address Child Labour?
  - 1.1.1.3 Does your IRBC policy address Forced Labour?
  - 1.1.1.4 Does your IRBC policy address Freedom of Association?
  - 1.1.1.5 Does your IRBC policy address a Living Wage?
  - 1.1.1.6 Does your IRBC policy address Safety and Health in the Workplace?
  - 1.1.1.7 Does your IRBC policy address Raw Materials?
  - 1.1.1.8 Does your IRBC policy address Water Pollution and the Use of Chemicals, Water and Energy?
  - 1.1.1.9 Does your IRBC policy address Animal Welfare?
  - 1.1.1.10 Does your IRBC policy address international guidelines and principles?
- 1.1.2 Are there any other themes of importance for your IRBC policy?
- 1.1.3 Does your policy identify exclusion criteria?

#### 1.2. Is IRBC integrated into your operational management? (30 points)

- 1.2.1 Do you communicate your IRBC policy internally?
- 1.2.2 Do your senior executives support and promote your IRBC policy?

- 1.2.3 Do you have specific staff who are responsible for the day-to-day implementation of your IRBC policy?
- 1.2.3.1 Do you make tools and training available to staff who are responsible for the day-to-day implementation of your IRBC policy?
- 1.2.4 Are other departments involved in implementing your IRBC policy?
- 1.2.4.1 Do you make tools or training available to staff in other departments who play a role in implementing your IRBC policy?
- 1.2.5 Do you make enough budget and staff available to implement your IRBC policy?
- 1.2.6 Have all the IRBC themes under the Agreement been integrated into your relationships with suppliers?
- 1.2.7 Is your IRBC policy a factor in your assessment of supplier and manufacturer performance?
- 1.2.8 Do you understand the (potential) negative impact of your purchases on human life, the environment and animal welfare in your production and supply chain?

**1.3 Is your company taking part in any other initiative besides this Agreement? (4 points)**

- 1.3.1 Are you affiliated with the Bangladesh Accord 1?
- 1.3.2 Are you affiliated with the Bangladesh Accord 2?
- 1.3.3 Are you affiliated with BEPI?
- 1.3.4 Are you affiliated with Better Cotton (BCI)?
- 1.3.5 Are you affiliated with Blue Sign?
- 1.3.6 Are you affiliated with Fur Free Retailer?
- 1.3.7 Are you affiliated with BSCI?
- 1.3.8 Are you affiliated with ECAP?
- 1.3.9 Are you affiliated with the Ethical Trading Initiative (ETI)?
- 1.3.10 Are you affiliated with the Fair Labour Association (FLA)?
- 1.3.11 Are you affiliated with Fairtrade?
- 1.3.12 Are you affiliated with Fair Wear?
- 1.3.13 Are you affiliated with GOTS?
- 1.3.14 Are you affiliated with Made-By Modetracker?
- 1.3.15 Are you affiliated with Okotex (100/1000/Step)?
- 1.3.16 Are you affiliated with SAC?
- 1.3.17 Are you affiliated with the Transparency Pledge?
- 1.3.18 Are you affiliated with ZDHC?
- 1.3.19 We are affiliated with another initiative, i.e.:
- 1.3.20 Do you make use of the tools or expertise of other external parties?

- 1.4 Do you monitor the entire production and supply chain to which your company belongs for possible risks and impacts? (8 points)**
  - 1.4.1 Do you monitor first-tier production sites?
  - 1.4.2 Does your monitoring cover all nine of the main themes under the Agreement?
  - 1.4.3 Do you monitor the subcontractors and other links in the production and supply chain?
  - 1.4.4 If you purchase third-party brands: Do you monitor the third-party brands that you purchase by means of self-assessment, analysis of publicly available or requested/submitted information, or on-site visits/inspections?
  
- 1.5 Are you building a relationship with your supplier? (4 points)**
  - 1.5.1 Do your purchasers or IRBC staff visit the production sites?
  - 1.5.2 Are you focused on building long-term relationships rather than short-term ones?
  
- 1.6 The previous question was the final question of the 'Policy and Organisation' due diligence step. Would you like to set a goal and an action point for this section? (4 points)**
  
- 2. Insight into the supply chain, risk analysis and prioritisation of risks and impacts**
  - 2.1 Insight into the supply chain, materials and processes**
    - 2.1.1 Do you have relevant information on the production chain? (18 points)**
      - 2.1.1.1 Do you have an up-to-date list of suppliers, including names and addresses?
      - 2.1.1.2 Do you have an up-to-date list of first-tier production sites and subcontractors, including names and addresses?
      - 2.1.1.3 Do you have a list of second-tier production sites, including names and addresses?
      - 2.1.1.4 Do you have a list of production sites further along in the chain and/or do you know where important materials are sourced?

- 2.1.2 Do you have a list of the raw materials and/or processes used for your products? (4 points)**
- 2.1.2.1 Do you have a list of your products and the raw materials used to make them?
- 2.1.2.2 Do you have a list of the processes used in production?
  
- 2.2 Risk analysis: identification and prioritisation of risks and impacts**
  
- 2.2.1 Have you identified the risks in (sections of) your production chain? (12 points)**
- 2.2.1.1 Have you identified what part of the production takes place in risk countries?
- 2.2.1.2 Have you identified the risks in the production or supply chain per country/region?
- 2.2.1.3 Have you identified the risks associated with raw materials and materials?
- 2.2.1.4 Have you identified the risks in the production or supply chain per production process?
- 2.2.1.5 Have you also identified the risks per manufacturer?
- 2.2.1.6 If you purchase any third-party brands: Have you identified the most likely risks associated with those third-party brands?
  
- 2.2.2 Do you investigate potential risks before taking new purchasing decisions? (2 points)**
  
- 2.2.3 In the past year, have you received any signals of damage or impacts through an RBC monitoring (audit) system or in the form of grievances or cases? (16 points)**
- 2.2.3.1 In the past year, have you received any signals of damage or impacts at your first-tier production sites?
- 2.2.3.2 Have you received any signals of damage or impacts involving subcontractors at first-tier production sites?
- 2.2.3.3 Have you received any signals of damage or impacts at second-tier production sites?
- 2.2.3.4 If you purchase third-party brands: Have you received any signals of damage or impacts involving manufacturers of any third-party brands you purchase?

- 2.2.4** Have you already prioritised all identified risks and damage/impacts by severity and likelihood? (20 points)
- 2.2.5** The previous question was the final question in the 'Analysis, risks and impacts' due diligence step. Would you like to set a goal and an action point for this section? (4 points)
- 4. Stakeholder consultation, evaluation and communication**
- 4.1 Are stakeholders consulted on IRBC themes? (18 points)**
- 4.1.1 Do you ask for stakeholder input when drafting and adjusting your IRBC policy?
- 4.1.2 Is consulting stakeholders part of your audit and monitoring process?
- 4.1.3 Do you consider information provided by stakeholders when surveying and prioritising risks and damage/impacts?
- 4.2 Do you have a grievance mechanism open to individuals, groups and organisations that experience the negative consequences of your company's actions? (8 points)**
- 4.2.1 Does this grievance mechanism comply with the effectiveness criteria set out in the UN Guiding Principles for Business and Human Rights?
- 4.2.2 Have you received complaints by employees / stakeholders?
- 4.2.2.1 Were the complaints found to be valid?
- 4.2.2.2 Are complaints resolved within a reasonable period of time after submission?
- 4.3 Do you assess the effectiveness of the IRBC measures that you have undertaken? (16 points)**
- 4.3.1 Do you assess progress towards internal goals or actions?
- 4.3.2 Do you assess the progress of measures taken by manufacturers or progress towards external goals or actions?
- 4.4 Do you communicate your IRBC policy externally? (20 points)**
- 4.4.1 Do you inform external stakeholders about the risks and impacts of your products?
- 4.4.2 Do you inform external stakeholders about your goals and the extent to which you have achieved them?
- 4.4.3 Do you set public goals with respect to sustainable raw materials?

- 4.4.4 Do you communicate about the number of complaints you receive, the nature of those complaints, and the way in which you have addressed them?
- 4.4.5 Do you make production sites transparent for external stakeholders?
- 4.5 **Do you update your IRBC and purchasing policy regularly in response to impacts and risks, complaints received and stakeholder feedback? (2 points)**
- 4.6 **The previous question was the final question in the 'Stakeholder consultation, evaluation and communication' due diligence step. Would you like to set a goal and an action point for this section? (4 points)**

## 4 Result indicators

The result criteria concern goals and actions related to (prioritised) the nine themes (step 3). They are derived from the due diligence questionnaire and are tagged in the e-tool.

Working through the due diligence process allows companies to identify the themes that require them to take action and to prioritise. The Secretariat assesses whether the rationale behind their prioritisation is adequate. The ‘comply or explain’ principle applies to all the result criteria listed below.

### **3.1 Have you identified or adjusted goals and/or actions based on prioritised risks and impacts? (74 points)**

- 3.1.1 Have you divided these goals or actions into short-term and long-term? (1, 3 and 5 years)
- 3.1.2 Have you identified SMART goals for Discrimination and Gender? 0
- 3.1.3 Have you identified SMART actions addressing Discrimination and Gender?
- 3.1.4 Have you identified SMART goals for Child Labour?
- 3.1.5 Have you identified SMART actions addressing Child Labour?
- 3.1.6 Have you identified SMART goals for Forced Labour?
- 3.1.7 Have you identified SMART actions addressing Forced Labour?
- 3.1.8 Have you identified SMART goals for Freedom of Association?
- 3.1.9 Have you identified SMART actions addressing Freedom of Association?
- 3.1.10 Have you identified SMART goals for a Living Wage?
- 3.1.11 Have you identified SMART actions addressing a Living Wage?
- 3.1.12 Have you identified SMART goals for Safety and Health in the Workplace?
- 3.1.13 Have you identified SMART actions addressing Safety and Health in the Workplace?
- 3.1.14 Have you identified SMART goals for Raw Materials?
- 3.1.15 Have you identified SMART actions addressing Raw Materials?
- 3.1.16 Have you identified SMART goals for Water Pollution and the Use of Chemicals, Water and Energy?
- 3.1.17 Have you identified SMART actions addressing Water Pollution and the Use of Chemicals, Water and Energy?
- 3.1.18 Have you identified SMART goals for Animal Welfare?
- 3.1.19 Have you identified SMART actions addressing Animal Welfare?

**3.2 Have you taken action in response to complaints or reports by third parties, or in response to audit reports on damage and impacts? (8 points)**

3.2.1 Is the action that you have taken proportionate to your responsibility for the damage/impact?

3.2.2 Do you take action in cooperation with other companies that also bear responsibility, or with NGOs, governments and/or trade unions?

**3.3 Are you working with manufacturers to eliminate and reduce the prioritised risks and impacts? (8 points)**

3.3.1 Do you provide manufacturers with training, knowledge-building or technical assistance?

3.3.2 Do you participate in local initiatives (together with your manufacturers)?

3.3.3 Do your activities target first-tier production sites?

3.3.4 Do your activities also target second- and third-tier production sites?

**3.4 Have you undertaken and completed all actions listed in your action plan and in last year's assessment report? (2 points)**

Assessment of the chosen approach is based on the following questions:

- Has your company stated a SMART goal for the identified problem?
- How do the relevant actions help your company achieve its goal/solve the problem?
- How do you measure progress towards achieving the goal(s)?
- What demonstrable results has your chosen approach produced?

## 5 Reasonableness and fairness

The Secretariat assesses the quality of the (amended) action plans every year. In making its assessment, the Secretariat applies the criterion of reasonableness and fairness by considering the specific circumstances in which each company operates, pursuant to the Dutch contract law (Section 6:248 of the Dutch Civil Code). This means that the Secretariat asks the following question when assessing companies:

*Are there circumstances that have a limiting effect on a company's obligations under the Agreement?*

Circumstances that have a limiting effect are those that prevent a company from meeting its obligations. These are situations of force majeure, beyond the company's control or fault, which could not be foreseen or avoided, and which prevent a company from meeting its obligations. Financial problems are one example.

The following reasons are not excusable:

- too little time and inadequate resources;
- acquisition of a company;
- pregnancy leave;
- commercial reasons.



## 6 Minimum requirements per year - final decision

The Dutch Agreement on Sustainable Garments and Textile sets minimum requirements every year that companies must meet. These minimum requirements are derived from the due diligence questionnaire and are tagged in the e-tool as 'key question'. They are the basis on which the Secretariat issues a positive or negative final decision:

- Complies with the Agreement: the company has shown that it satisfies the obligations arising from the Agreement. At the time of the assessment, the company satisfied the requirements set for that year or was able to demonstrate that it did so within two months of receipt of the assessment report.
- Does not comply with the Agreement: at the time of the assessment, the company did not meet its obligations under the Agreement and was unable to demonstrate that it did so within two months of the assessment.

The minimum progress requirements for the four years of the Agreement are listed below. The requirements are cumulative.

### Year 1:

- The company has submitted all necessary documents for that year on time and in full.
- The company scores a minimum of 20 per cent of the maximum number of points possible for efforts and results.
- The company has drawn up an action plan describing its actions for Year 2, which include:
  - Setting up a process that provides continuous insight into CMT production sites and any subcontractors.

### Year 2:

- The company has submitted all necessary documents for that year on time and in full.
- The company satisfies the following obligations:
  - It has set up a process that provides continuous insight into CMT production sites and any subcontractors.
  - It has insight into the materials and raw materials used.

- The company scores a minimum of 40 per cent of the maximum number of points possible for efforts and results and has made at least the following efforts:
  - It has drawn up an RBC policy that complies with the due diligence process.
  - It has insight into the risks associated with CMT production sites.
  - It has prioritised the risks (known at that time) and described how it will address them.
  - It has insight into the risks associated with its purchasing practice.
- The company has drawn up an action plan describing its actions for Year 3, which include:
  - Identifying and prioritising the risks (known at that time) and explaining the rationale behind this prioritisation.
  - Describing how it will address those risks.
  - Identifying goals and actions based on the nine themes of the Agreement, and in any event addressing:
    - the way in which its actions help achieve the goal and solve the problem;
    - the way in which it measures progress towards goals and actions.
  - Paying specific attention to its purchasing practice.
- The company has undertaken and completed all actions listed in its action plan for Year 2 and in the assessment report for Year 1.
- The company has addressed and resolved any practical cases in cooperation with stakeholders.

### **Year 3:**

- The company has submitted all necessary documents for that year on time and in full.
- The company satisfies the following obligations:
  - It has a process that provides continuous insight into CMT production sites and any subcontractors.
  - It has insight into the CMT production sites and second-tier production sites.
  - It has a process that provides continuous insight into the materials and raw materials used.
  - It communicates externally about the Agreement in a manner that complies with the guidelines.
- The company scores a minimum of 60 per cent of the maximum number of points possible for efforts and results and has made at least the following efforts:
  - It has an RBC policy that meets the requirements of the due diligence process.
  - It has linked risks to the CMT production sites, to production sites further along in the chain, and to the materials and raw materials used.

- It has prioritised risks (known at that time) and described how it will address them.
- It has insight into the risks associated with its purchasing practice.
- The company has drawn up an action plan describing its actions for Year 4, which include:
  - Identifying and prioritising the risks (known at that time), explaining the rationale behind this prioritisation, and describing its approach.
  - Paying specific attention to its purchasing practice.
  - Identifying goals and actions based on the nine themes of the Agreement, and addressing:
    - the way in which the actions that it has defined help achieve the goal and solve the problem;
    - the way in which progress towards goals and actions is measured.
    - the way in which it reports on progress towards these goals and actions.
- The company has undertaken and completed all actions listed in its action plan for Year 3 and in the assessment report for Year 2.
- The company has addressed and resolved any practical cases in cooperation with stakeholders.

#### **Year 4:**

- The company has submitted all necessary documents for that year on time and in full.
- The company satisfies all of the following obligations:
  - It has a process that provides continuous insight into CMT production sites, any subcontractors, and production sites further along in the chain.
  - It has a process that provides continuous insight into the materials and raw materials used.
  - It communicates externally about the Agreement in a manner that complies with the guidelines.
- The company scores a minimum of 75 per cent of the maximum number of points possible for efforts and results and has made at least the following efforts:
  - It has an RBC policy that complies with the due diligence process and that in any event addresses its purchasing practice.
  - It continues to gain more insight into the risks across the entire chain (CMT, second-tier production sites and further along in the chain) and the materials and processes used.
  - It has insight into the risks associated with its purchasing practice.

- It has drawn up an action plan describing actions for Year 5, has identified and prioritised the risks (known at that time), explained the rationale behind this prioritisation, and described its approach.
- It pays specific attention to its purchasing practice.
  - It has identified goals and actions based on the nine themes of the Agreement, and addressing:
    - the way in which the actions that it has defined help achieve the goal and solve the problem;
    - the way in which progress towards goals and actions is measured;
    - the way in which it reports on progress towards these goals and actions.
- It has undertaken and completed all actions listed in its action plan for Year 4 and in the assessment report for Year 3.
- It has addressed and resolved any practical cases in cooperation with stakeholders.

#### **Year 5:**

- The company has submitted all necessary documents for that year on time and in full.
- The company satisfies all of the following obligations:
  - It has a process that provides continuous insight into CMT production sites, any subcontractors, and production sites further along in the chain.
  - It has a process that provides continuous insight into the materials and raw materials used.
  - It communicates externally about the Agreement in a manner that complies with the guidelines.
- The company scores a minimum of 85 per cent of the maximum number of points possible for efforts and results and has made at least the following efforts:
  - It has an RBC policy that complies with the due diligence process and that in any event addresses its purchasing practice.
  - It continues to gain more insight into the risks across the entire chain (CMT, second-tier production sites and further along in the chain) and the materials and processes used.
  - It has insight into the risks associated with its purchasing practice.
- It has drawn up an action plan describing actions for Year 5, has identified and prioritised the risks (known at that time), explained the rationale behind this prioritisation, and described its approach.
- It pays specific attention to its purchasing practice.
  - It has identified goals and actions based on the nine themes of the Agreement, and addressing:

- the way in which the actions that it has defined help achieve the goal and solve the problem;
  - the way in which progress towards goals and actions is measured;
  - the way in which it reports on progress towards these goals and actions.
- It has undertaken and completed all actions listed in its action plan for Year 4 and in the assessment report for Year 3.
- It has addressed and resolved any practical cases in cooperation with stakeholders.



## 7 Procedure in the event of non-compliance with the agreement

If a company does not satisfy the minimum requirements for the relevant year, the following procedure applies:

- The company has two months to demonstrate that it has met its obligations under the Agreement and to amend its action plan.
- If the company cannot demonstrate within two months that it has met its obligations, the Secretariat escalates the case to the Steering Committee. The Steering Committee discusses the case and recommends an appropriate solution.
- If the company does not comply with the conditions within the period designated by the Steering Committee, the case will be referred to the Complaints and Disputes Committee.
- The Complaints and Disputes Committee will issue a binding ruling.



## Colophon

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