

THE ALIGNMENT OF INDUSTRY AND MULTI-STAKEHOLDER PROGRAMMES WITH THE OECD GARMENT AND FOOTWEAR GUIDANCE

Assessment of the Dutch Agreement on Sustainable Garment
and Textile



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OECD Alignment Assessments

In 2018, the OECD Secretariat established a pilot project to extend its methodology on Alignment Assessments of Industry and Multi-Stakeholder Programmes (hereafter “Alignment Assessments”) to initiatives operating within the garment and footwear sector.

The objective of OECD Alignment Assessments is to evaluate the alignment of industry or multi-stakeholder programmes¹ with the recommendations of OECD due diligence guidance. Please refer to [Annex A: About OECD Alignment Assessments](#) for further details.

Specifically, Alignment Assessments seek to determine:

- **Written standards:** whether due diligence principles and requirements for companies have been incorporated into the written standards and procedures of a programme;
- **Implementation:** whether the activities a programme undertakes itself (e.g. support on due diligence, checks of member/signatory companies, audits etc.) are aligned with the recommendations of the OECD due diligence framework.

This is achieved by analysing a programme’s standards and implementation against detailed core criteria of due diligence included in an OECD Alignment Assessment Tool (AAT).² Each core criterion is linked to discrete recommendations within corresponding due diligence guidance; in addition, there are criteria that are based on language in the guidance that encourages companies to implement certain additional aspects of due diligence that are not considered core.³

Programmes are evaluated on a scale from 1 “not aligned” to 4 “aligned” against each due diligence criterion, both for written standards and implementation. For implementation, there is a fifth category, which is ‘indeterminate’; this is used when there is insufficient data or evidence at the time of the assessment to determine an alignment rating. Please refer to [Annex B: Methodological Considerations](#) for further details. Alignment Assessments may also evaluate collaboration and the programme’s governance. Because these aspects are not explicitly referenced in OECD due diligence guidance, they do not inform the judgement on the alignment of the programme.

Desktop review, interviews and shadow assessments form the basis of data collection and analysis. Based on its review, the OECD Secretariat develops a findings report, which is shared with the programme and select stakeholders. Fact checking and discussions with the programmes that are being assessed provide an extra layer of quality control as well as a forum for discussion on the findings.

The OECD Secretariat carried out an Alignment Assessment of the Dutch Agreement on Sustainable Garment and Textile (hereafter the AGT) from January 2019 to January 2020. This assessment falls within the OECD’s pilot project of Alignment Assessments in the garment and footwear sector. This report sets out the findings of the OECD’s Alignment Assessment of the AGT with the recommendations contained within the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (hereafter “the OECD Garment and Footwear Guidance”).

Throughout this report, the term “strengths” refers to areas of alignment or partial alignment with OECD due diligence guidance. The term “opportunities” refers to areas of non-alignment or limited alignment.

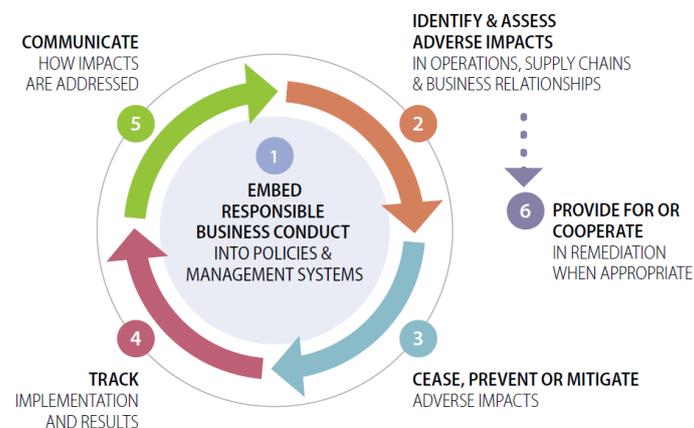
About the OECD Garment and Footwear Guidance

Launched in 2017, the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (the OECD Garment and Footwear Guidance) sets a common framework for understanding supply chain due diligence. It has been approved by 48 governments and endorsed by business, trade unions and civil society and seeks to be aligned with the UN Guiding Principles on Business and Human Rights in relation to human rights due diligence.

OECD due diligence process

The OECD Garment and Footwear Guidance establishes a six-step framework for conducting responsible business conduct (RBC) due diligence, in order to identify and address risks of adverse impacts in a company's supply chain (see the diagram below). It includes targeted recommendations for applying this framework across 11 issues common to the sector, including child labour, forced labour, sexual harassment, engagement with trade unions, wages, occupational health and safety, hazardous chemicals, water, greenhouse gas emissions, bribery and corruption, and responsible sourcing from homeworkers. Essential overarching characteristics of due diligence include that it is preventative, commensurate with risk (risk-based), can involve prioritisation (risk-based), is integrated into decision-making processes, is dynamic, is informed by meaningful engagement with stakeholders, is appropriate to the circumstances of the company and involves ongoing communication.

DUE DILIGENCE PROCESS AND SUPPORTING MEASURES



Note: This paper uses the term “steps” to delineate the phases of the due diligence process. It is important to note that due diligence is not a linear process but rather interactive and reactive.

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

<http://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm> and OECD Due Diligence Guidance for Responsible Business Conduct <https://mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm>.

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Executive Summary

From January 2019 to January 2020, the OECD Secretariat conducted an Alignment Assessment of the AGT against the recommendations contained in the OECD Garment and Footwear Guidance. This report summarises the findings of that assessment.

The Dutch Agreement on Sustainable Garment and Textile (the Agreement) was adopted in July 2016 between business associations, non-governmental organisations (NGOs), the Netherlands Trade Union Confederation (FNV) and the National Federation of Christian Trade Unions in the Netherlands (CNV), and the Government of the Netherlands. This Agreement was the first in a series of multi-stakeholder covenants in the Netherlands on responsible business conduct (RBC).⁴ Through the Agreement, companies commit to carrying out due diligence aligned with the recommendations in the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. The Agreement is in place from 2016-2021.

The Agreement is operationalised through a government-backed multi-stakeholder initiative of all signatories. Throughout this report, the multi-stakeholder initiative around the Agreement is referenced as the AGT. The Social and Economic Council (SER) is an advisor to the Dutch Government and Parliament on social and economic policy and acts as the secretariat to the AGT. One of the roles of the SER is to assess companies against due diligence commitments on an annual basis through a company review process.

As one of very few government-backed multi-stakeholder initiatives in the apparel sector, the AGT is unique in a number of ways.

- As a relatively new initiative, the AGT adapts easily and quickly to new developments and inputs.⁵ On the one hand, this has enabled the AGT to continuously improve its assessment framework. On the other hand, in some cases processes have developed in an ad hoc manner with standardised procedures being formalised following implementation.
- The membership base of the AGT includes a core membership of small and medium-sized companies, many of which are implementing due diligence for the first time through their engagement with the AGT. The AGT likewise includes a few large companies with varying levels of experience with due diligence and business models.
- The account managers of the SER play a critical role in the review process of company signatories. While the AGT has developed an assessment framework for the review process, the quality of the review relies on the capacity and understanding of the account managers. The OECD Secretariat found that most account managers interviewed had a very strong technical understanding of due diligence. In light of the important role of account managers in evaluating companies, ensuring the appropriate skills and expertise of new account managers will be a critical factor for the AGT in maintaining or strengthening alignment with the OECD Garment and Footwear Guidance.

The AGT has many strengths, including in supporting companies to adopt aligned policies and support to SMEs.

- The AGT due diligence review process places a strong emphasis on buy-in from senior-level management of signatory companies, coordination across their business units, and the allocation of appropriate decision-making power to CSR/RBC managers to support the integration of due diligence into the decision-making process.
- The vast majority of criteria pertaining to the content and development of company RBC policies were found to be fully aligned both in terms of the expectations placed on companies and the review process.
- One of the strengths of the AGT is that it continuously strives to help small and medium-sized enterprises carry out due diligence in a way that is appropriate to their size and circumstances.
- The AGT has developed explicit reporting requirements on due diligence that align with OECD recommendations. In the first year of reporting under the AGT, a number of companies communicated on their due diligence approaches for the first time ever.
- The SER has taken efforts to support signatory companies in building their capacity to prevent and mitigate impacts in their supply chains. This is predominantly demonstrated through trainings, both mandatory and voluntary, and by connecting companies with relevant experts and NGOs both within and outside of the AGT membership.
- An expectation that companies prioritise risks based on the severity of harm – with severity defined as the scale, scope and irremediable character of the harm – seems to be deeply integrated into the review process as well as the capacity building of companies.
- The AGT has a robust formal grievance mechanism whose written procedures are largely aligned with the recommendations in the OECD Garment and Footwear Guidance.

This assessment also found opportunities for strengthening alignment with the OECD Garment and Footwear Guidance.

- The review process of AGT company signatories is not sufficiently tailored to assess the range of business models within the membership – particularly companies that own their own production and larger enterprises that may have more complex structures.
- While prioritisation in due diligence is a strong theme within the AGT, companies and NGOs consistently noted in interviews (across almost all interviews held) that prioritisation is occurring at an initial scoping level, but that those findings are not filtering down into a more precise prioritisation at the site level.
- The review process does not always include a sufficient assessment of how a signatory company's assessments and responses to adverse impacts are tailored to the local context and proportionate to the severity of the harm. While this was a consistent finding in interviews and the shadow assessment, there is also evidence that some account managers are doing this well.
- While the AGT does facilitate stakeholder engagement and collaboration on capacity building and collaborative initiatives, the AGT Assessment Framework of signatory companies does not integrate a sufficient emphasis on meaningful stakeholder engagement throughout the due diligence process.
- The predictability, transparency and legitimacy of the informal complaints mechanism of the AGT are limited.

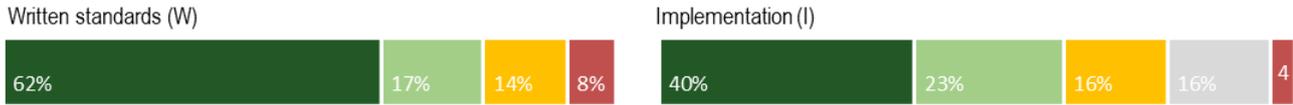
- Bribery and corruption are referenced in the assessment framework in relation to company RBC policies but are not integrated into the review of a company's due diligence from Steps 2-6.
- While discrimination and gender is one of the nine themes covered by the AGT, the AGT does not integrate a gender lens into how due diligence is carried out across all risk areas.

In general, the OECD Secretariat found very few points of non-alignment in the AGT Assessment Framework, meaning that most indicators of due diligence could be identified, even if they were not all fully aligned. In a number of cases, areas for improvement were the result of inconsistencies across how account managers apply or interpret the assessment framework.

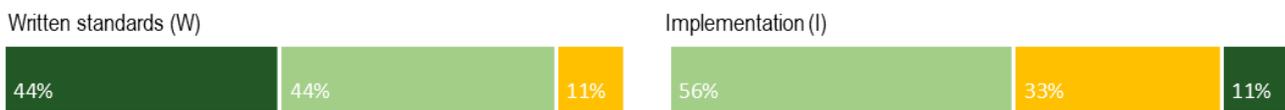
Snapshot of findings*



Overall alignment of the AGT

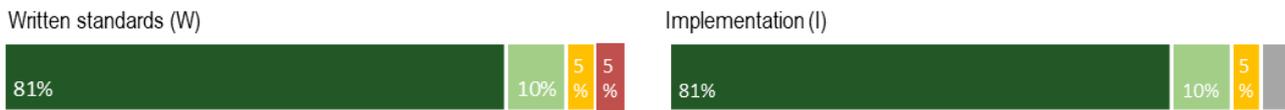


Alignment against overarching characteristics of due diligence

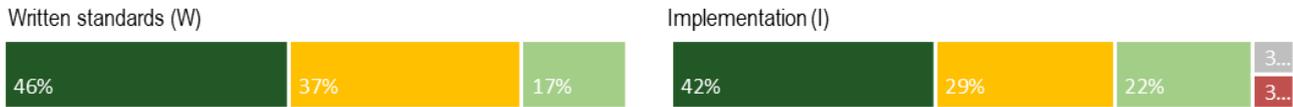


Alignment against the 6-Step Framework for Due Diligence

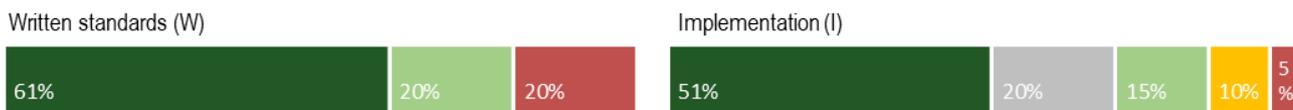
Step 1



Step 2



Step 3



Step 4



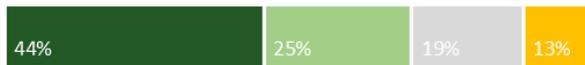
Snapshot of findings

Step 5

Written standards (W)



Implementation (I)



Step 6

Written standards (W)



Implementation (I)



AGT Formal Complaints and Disputes Mechanism

Written standards (W)

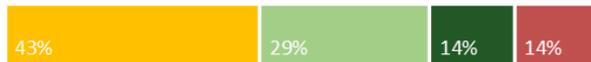


Implementation (I)



AGT Informal Complaints Mechanism

Written standards (W)



Implementation (I)



Governance

Written standards (W)



Implementation (I)



Collaboration

Implementation (I)



Accountability

Written standards (W)



Recognition

Written standards (W)



Implementation (I)



* Please note that in some cases due to rounding of ratings, the total might add up to 99% or 101%, instead of 100%.

1. About the OECD Alignment Assessment of the Dutch Agreement on Sustainable Garment and Textile

About the AGT

In 2016, the Government of the Netherlands, industry actors, non-governmental organisations and trade unions entered into an Agreement on Sustainable Garment and Textile (the Agreement). The Agreement is established for five years (2016-2021) and includes the following aims:

- “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.”⁶

The Agreement is divided into five chapters:

1. **Overarching themes**, which include due diligence (Chapter 1.1.), advice, assessment, monitoring (Chapter 1.2), complaints and disputes (Chapter 1.3)
2. **Specific themes** covered by the Agreement, which include discrimination and gender, child labour, forced labour, freedom of association, living wage, safety and health in the workplace, raw materials, water pollution and use of chemicals, water and energy, and animal welfare
3. **Incentivising small enterprises**
4. **Policy coherence and the role of government**
5. **Governance, implementation, funding.**

Participants to the agreement form a government-backed multi-stakeholder initiative (referred to as the AGT) that operationalises the Agreement. The Social and Economic Council (SER) is an advisor to the Dutch Government and Parliament on social and economic policy and acts as the secretariat to the AGT.

Company due diligence commitments and assessment framework

Under Chapters 1 and 2 of the Agreement, company participants commit to carrying out RBC due diligence on the nine themes covered by the Agreement and to being assessed on annual due diligence action plans. The AGT developed an Assessment Framework to evaluate companies against these commitments. Within the Assessment Framework, companies complete a due diligence questionnaire and due diligence

Action Plan annually, along with submitting a list of materials used in the production of their products and a list of production sites. In year three of their participation, companies likewise report publicly on their due diligence. Companies are reviewed on their due diligence through a desktop review and in-person assessment. Account managers within the SER are tasked with reviewing companies. At the time of the review, the SER had seven account managers.

Box 1. Assessment Framework under the AGT

- **Due diligence questionnaire:** signatory companies complete a due diligence questionnaire to indicate how they are seeking to carry out due diligence in their production and supply chains. Companies are required to submit supporting evidence.
- **List of materials and production sites:** signatory companies are expected to report on the type and quantity of materials used in the production of their products and where the production sites are located.
- **Action plan:** signatory companies develop an action plan, which outlines their most significant risks and their current and planned actions to address them.
- **Public reporting:** Starting in year 3 of their membership, signatory companies are required to report on their due diligence. The form of public reporting is at the discretion of the company, however, the AGT has established clear guidance on what should be included within a public report.
- **Company review process:** The due diligence questionnaire, list of materials, action plan and public report (in year 3) are reviewed on an annual basis by an account manager(s) within the SER. The company review process includes both a desktop review of the information submitted as well as an in-person review. The in-person review generally lasts half a day to a full day and includes interviews and discussions across business departments.

Collaboration and capacity building

The AGT facilitates collaboration between signatories as well as with organisations outside of the AGT (other multi-stakeholder initiatives). At the time of this assessment, the AGT had three ongoing collaborative initiatives on child labour, living wages and chemical management in dye houses.

The AGT likewise places a strong emphasis on capacity building, including through mandatory and optional webinars, trainings, guidance documents and one-on-one guidance from account managers. NGOs and trade unions participating in the AGT play a critical role in the capacity-building activities.

Formal and informal mechanism

The AGT includes an independent and formal complaints and disputes mechanism.⁷ The mechanism has a dual mandate to hear grievances by individuals or groups directly affected by a participating company's activities and disagreements between signatory companies and the SER over evaluations of the former's action plans.⁸ An informal complaints mechanism also exists alongside the more formal mechanism described above. This informal complaints mechanism includes a process by which trade unions, NGOs and other concerned parties can raise complaints against companies directly to the SER based on the public and aggregate list of AGT suppliers.

Scope of the Assessment

The OECD carried out an Alignment Assessment of the AGT, the multi-stakeholder initiative of the Dutch Agreement on Sustainable Garment and Textile (AGT), from 1 January 2019 to 31 January 2020. The purpose of the assessment was to evaluate the extent to which the due diligence standards and review process of the AGT align with the due diligence recommendations of the OECD Garment and Footwear Guidance. The Assessment therefore focused on Chapters 1 and 2 of the Agreement and their implementation through the AGT.

The following components of the AGT fell within the scope of the assessment:

- company due diligence commitments and assessment framework under the AGT
- collaboration and capacity-building activities of the AGT pertaining to due diligence
- the formal and informal complaints mechanism of the AGT.

Importantly, the Agreement is a set covenant that will open for revision after five years. Conversely, the AGT, which sits around the Agreement to operationalise its commitments, is far more fluid. For example, the Assessment Framework of the AGT is updated on an annual basis and has strengthened aspects of due diligence that extend beyond the Agreement itself. In recognition that the Assessment Framework sets out the due diligence expectations that companies are held to in practice under the AGT, this Alignment Assessment primarily focused on the Assessment Framework rather than the terms of the Agreement itself.

Written standards

In conducting the assessment, the OECD Secretariat evaluated written standards (W) and implementation (I). In the context of this Alignment Assessment, “written standards” refers to any documentation developed by the AGT that establishes expectations for companies on due diligence or establishes an assessment framework for companies. Guidance developed by the AGT was classified as a “written standard” despite its voluntary nature. The primary documentation reviewed during the OECD Alignment Assessment included:

- Dutch Agreement on Sustainable Garment and Textile⁹
- AGT Assessment Framework¹⁰
- AGT Due Diligence Questionnaire and supporting guidance for reviewers and companies (January 2019 version and December 2019 draft revision)
- criteria for companies on communication on due diligence
- mid-term report
- annual reports.

The OECD reviewed documentation that existed or was developed between January 2019 and January 2020. Written standards that were developed or revised after January 2020 did not fall within the scope of this evaluation.

Implementation

Implementation refers to the process and standards by which companies are evaluated in practice as well as the actual reporting expectations of companies. The OECD Secretariat’s assessment of implementation was determined through interviews with the SER (the AGT Secretariat) including with all account managers

employed in February 2019¹¹; interviews with trade unions, companies and NGOs; and two shadow assessments. (See Annex 2B, methodology for more information).

The OECD also reviewed the extent to which the AGT evaluates and facilitates company collaboration with peers and stakeholders in carrying out due diligence, the accountability of company signatories and the governance of the AGT. Conclusions drawn on these elements did not inform the overall alignment score of the AGT.

Capacity building and collaborative initiatives were evaluated within the context of collaboration criteria, overarching due diligence criteria and (where relevant) steps of the due diligence process.

Out of scope of the Assessment

The following did not fall within the scope of the Alignment Assessment:

- The effectiveness of the AGT as a government-backed MSI in meeting the following overarching goals of the Agreement:
 - “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 develop joint activities and projects to address problems that enterprises in the garment and textile sector cannot resolve completely and/or on their own.”¹²
- The performance of individual members. This review focused only on what is expected of companies on due diligence and how that is being evaluated and supported.
- Chapter 3, Incentivising small enterprises and Chapter 4, Policy coherence and the role of government (except where explicitly related to facilitating due diligence) fell outside of the Alignment Assessment.

It is important to note that the alignment of a programme does not infer that the due diligence practices of all companies within that programme are similarly aligned with the recommendations of the OECD Garment and Footwear Guidance.

2. Alignment against overarching characteristics of due diligence

Alignment against overarching characteristics of due diligence



Underpinning the different activities within the OECD's framework for due diligence are a set of core characteristics which provide the spirit and intent of due diligence. These include due diligence that is preventative, integral to decision-making, involves ongoing communication, is commensurate with risk and involves prioritisation (i.e. is risk-based), is appropriate to a company's circumstances, is dynamic and informed by meaningful engagement with stakeholders. These core characteristics of due diligence are overarching across the due diligence process, meaning that each step that a company takes to identify, prevent, mitigate and account for the risks and impacts in its activities and its supply chains should reflect them. These characteristics likewise distinguish the due diligence process from a check-the-box exercise and can be considered measurements of the quality of a company's response.

Preventative

The review process and corresponding activities seek to drive towards activities that are preventative. For example, interviews with account managers and companies indicate that the review process and corresponding capacity building of companies places a strong emphasis on how companies can seek to control their exposure to risks in the supply chain. Such measures may include, for example, prequalification of new suppliers and directing sourcing towards more responsible suppliers. Within this context, the review of (and capacity building around) responsible purchasing practices was significantly strengthened over the period of this review. Furthermore, within their capacity-building role, the SER has taken efforts to support signatory companies in building their capacity to prevent and mitigate impacts in their supply chains. This is predominantly demonstrated through trainings, both mandatory and voluntary, and by connecting companies with relevant experts and NGOs both within and outside of the AGT membership.

At the same time, there were indications that some account managers place a disproportionate emphasis on internal control measures that companies can take to decrease their exposure to risks (such as prequalification of new suppliers) and less emphasis on actions to prevent and mitigate impacts with existing suppliers. In interviews with the AGT, account managers noted that many of the companies within the AGT are only beginning to establish due diligence systems. As such, an initial focus on control measures can be appropriate. However, when dealing with companies with more advanced due diligence

processes already established, a stronger emphasis on how companies can seek to prevent and mitigate harm in a way that is commensurate with the severity of the harm and appropriate to the operating context is needed.

Integral part of decision-making

The AGT due diligence review process places considerable importance on buy-in from senior-level management, coordination across business units, and allocating appropriate decision-making power to CSR/RBC managers to support the integration of due diligence into the decision-making process. Many of the members within the AGT are small and medium-sized enterprises who are embarking on due diligence for the first time. Within this context, the AGT's emphasis on a) ensuring that companies have strong systems in place to track orders and b) that CSR/RBC managers have appropriate decision-making tools is an appropriate focus. However, when dealing with larger and more complex companies within the AGT, there is a risk that the review process does not adequately evaluate the management systems of the company involved. To adequately review the decision-making processes of a larger or more complex company, the SER would need a more in-depth review of the following (amongst others):

- a company's decision to move production into or keep production within a country
- a company's decision to disengage or not from a supplier in the case of severe impacts
- how quickly a company is capable of understanding the shifts in the risk profile of a country and implementing actions to respond to that shifting circumstance.

Risk-based

An expectation that companies prioritise risks based on the severity of harm – with severity defined as the scale, scope and irremediable character of the harm – is deeply integrated into the review process as well as the capacity building of companies. For example, companies are evaluated on whether they are pursuing a traditional materiality analysis (which includes an evaluation of risk to the business) or a risk-based approach aligned with OECD due diligence guidance.

At the same time, interviews with companies, stakeholders and account managers indicated that some account managers may be understanding prioritisation differently from how it is described in the OECD Garment and Footwear Guidance. Companies and NGOs consistently noted in interviews (across almost all interviews held) that prioritisation is occurring at an initial scoping level, but that those findings are not filtering down into a more precise prioritisation at the site level in some cases. The result is that concerns were consistently raised that companies are being asked to prioritise risks at a broad and overarching level to the detriment of addressing actual impacts that are occurring within their factories. In carrying out due diligence in a way that is aligned with OECD guidance, prioritisation enables companies to understand the more severe issues in their supply chains so that they can take a more tailored approach to assessing those issues at a site level.

Informed by meaningful engagement with stakeholders

The AGT is a multi-stakeholder initiative that by its very nature seeks to facilitate engagement between trade unions, business, civil society and government. The AGT encourages and facilitates collaborative initiatives between civil society and business. One challenge raised during interviews (and the mid-term review) to stakeholder collaboration is that NGOs are not aware of the issues prioritised by individual companies. However, during the period of the OECD Assessment, company signatories began to publish their action plans (summer 2019). As a result, the SER indicated that they had seen increased match-

making between companies and NGOs on capacity building, stakeholder feedback and (gradually) collaboration.

While the AGT does facilitate stakeholder engagement and collaboration on capacity building and collaborative initiatives, the AGT Assessment Framework of signatory companies does not integrate a sufficient emphasis on meaningful stakeholder engagement throughout the due diligence process. Specifically, engagement with stakeholders in production countries in tailoring supplier assessments to the local context, involvement of workers in the assessment process, and the engagement of workers in the development of corrective action measures were not sufficiently covered in the January 2019 Assessment Framework or the shadow assessments. The OECD Secretariat did note positively that the above components are more systematically integrated into the revised draft assessment framework in December 2019.

Under the terms of the AGT, the Dutch Government commits to “providing information on international responsible business conduct within the local context”. While this is a role that the Government of the Netherlands does fulfil broadly across its engagement with key partners, specific activities within the context of the Agreement have been limited.

Involves ongoing communication

Companies commit to publicly report on due diligence in their third year of participation. This Alignment Assessment was conducted during the first year of public communication on due diligence under the AGT. The reporting requirements of the AGT are fully aligned with the recommendations under Step 5 on reporting within the OECD Garment and Footwear Guidance. However, moving forward, the AGT is encouraged to strengthen the review process of company public reporting against their own communication criteria.

Appropriate to its circumstances

One of the strengths of the AGT is that it continuously strives to determine how small and medium-sized enterprises can carry out due diligence in a way that is appropriate to their size and circumstances. Many of the strategies promoted, tested and refined by the AGT are directly aligned with OECD due diligence guidance, including a focus on measures that the company can control (such as prequalification of suppliers, purchasing practices, etc.) and an emphasis on acting through existing initiatives. At the same time, and as noted above, larger companies and companies with more complex sourcing relationships may require more extensive due diligence approaches that are commensurate with the size of their risk. A deeper and more practical focus on how these companies – when engaging with higher risk suppliers – are seeking to prevent and mitigate harms in a way that is commensurate with the risk is needed.

Systematically considers the unique position of women

The AGT has incorporated discrimination and gender as one of its main themes. This theme includes sexual harassment. However, beyond recognition of discrimination as a key risk in the sector, the AGT does not seem to incorporate considerations on how gender is systematically considered at all stages of the due diligence process. Examples in the OECD Garment and Footwear Guidance include the following:

- Consider how women may be disproportionately affected by impacts.
- Consider whether a programme or policy could have unintended negative consequences for women.
- Include women in the design of the monitoring and evaluation measures.

- Assess whether grievance mechanisms are equally accessible to all affected parties.
- Ensure that the individual serving as the access point for a grievance mechanism is approachable regardless of the complainant's gender. Special attention should be paid to women from vulnerable groups.

Alignment against overarching characteristics of due diligence

Aligned  Partial  Limited  Not Aligned  Indeterminate 

The initiative requires and evaluates that:

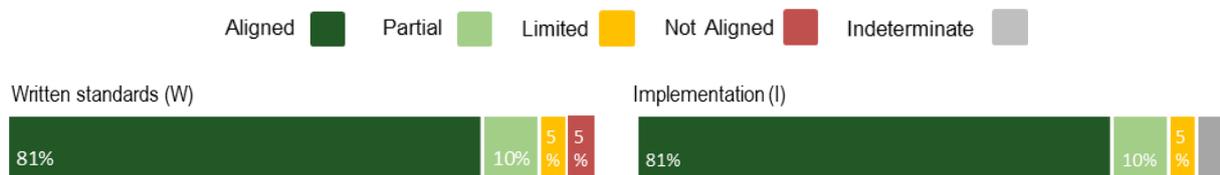
#	Criteria	W	I
1	The enterprise's due diligence is preventative.		
2	The enterprise's due diligence is an integral part of decision-making.		
3	The enterprise's due diligence is commensurate with risk (i.e. it is risk-based).		
4	The enterprise's due diligence involves prioritisation (i.e. it is risk-based).		
5	The enterprise's due diligence is dynamic.		
6	The enterprise's due diligence is informed by meaningful engagement with stakeholders.		
7	The enterprise's due diligence involves ongoing communication.		
8	The enterprise's due diligence is appropriate to its circumstances.		
N	Consider the unique position of women systematically at all stages of the due diligence process.		

Note: N indicates a new indicator added during the course of the Alignment Assessment. This indicator reflects the recommendations related to integrating a gender lens into the due diligence process that are included in the OECD Garment and Footwear Guidance and the OECD Due Diligence Guidance for Responsible Business Conduct.

3. OECD Framework for Due Diligence

Step 1. Embed responsible business conduct in enterprise policy and management systems

Alignment against Step 1 criteria



As an initial step under a due diligence process, companies are expected to adopt a policy(ies) that articulates their commitments on responsible business conduct in their operations, owned production and supply chain. OECD due diligence guidance provides explicit recommendations for what should fall within a company's public policy commitments. Companies are also expected to embed those policies into their oversight and management systems so that they are implemented as a part of regular business processes.

1.1 Policy

Strengths

- The vast majority of criteria pertaining to the content and development of company RBC policies were found to be fully aligned both in terms of the expectations placed on companies and the review process.

Opportunities

- Policy expectations under the AGT could be brought fully into alignment by including an explicit expectation that companies have a policy on meaningful engagement of stakeholders in the due diligence process (see Criterion 16).
- Guidance on exclusionary policies could likewise be strengthened to integrate the risk-specific recommendations included in the OECD Garment and Footwear Guidance on disengagement.¹³
- In relation to homeworking, the AGT could provide a framework on what constitutes a strong policy on homeworking aligned with recommendations in the OECD Garment and Footwear Guidance and could remove references to exclusionary policies of homeworkers.¹⁴
- Although only encouraged under the OECD Garment and Footwear Guidance, in light of the AGT's commitments to remedy, the AGT could likewise encourage companies to establish a public policy

commitment to “hear and address measured and substantiated complaints against the enterprise concerning its own operations and to hear and address any complaints that the enterprise has caused or contributed to harms in its supply chain that are raised through legitimate processes”.

1.2 Management systems

Strengths

- a. One of the AGT’s strengths is its promotion of fit-for-purpose management systems to enable due diligence. This was consistently referenced in interviews with the SER, companies and stakeholders and was likewise highlighted in the AGT mid-term report. The primary strength of the SER in this regard has been holding companies accountable and building their capacity to know the suppliers in their supply chain, starting with direct contractors and moving upstream. For the many small and medium-sized enterprises that are signatories of the AGT, this has been a critical initial step in carrying out supply chain RBC due diligence.

Example

- In two interviews, companies noted that the SER worked with their IT systems to help to build their capacity to trace orders to the production location rather than only to the contractual partner (for example, in cases in which a company is working with an agent or orders are contracted to different production sites).
- b. The AGT due diligence review process places a strong emphasis on buy-in from senior-level management, coordination across business units, and allocating appropriate decision-making power to CSR/RBC managers to support the integration of due diligence into the decision-making process.

Examples

- Interviews with account managers and businesses indicated that the CEO or C-suite level representatives, along with the buying director and at times design teams, are expected to attend review meetings. This was likewise demonstrated in shadow assessments.
- Interviews with account managers likewise indicated that one of their primary objectives is to evaluate the position of the CSR/RBC manager within the company. This was reinforced through findings in the mid-term review which noted that due to participation in the AGT “RBC has a more strategic position in the organisation (direct reporting to the CEO)”.¹⁵

Opportunities

- a. Many of the members within the AGT are small and medium-sized enterprises that are embarking on due diligence for the first time. Within this context, the AGT’s emphasis on a) ensuring that companies have strong systems in place to track orders and b) that CSR/RBC managers have appropriate decision-making power is an appropriate focus. However, when dealing with larger and/or more advanced companies within the AGT that already have adequate systems in place to track orders as well as sufficient seniority within the organisation, there is a risk that the review process does not adequately evaluate the management systems of the company involved. In these cases, a stronger framework on what is expected of larger and more complex companies may be necessary. In these cases, the review process could have potentially been more fit for purpose to evaluate larger companies and this presents an opportunity moving forward.

Alignment against Step 1 criteria

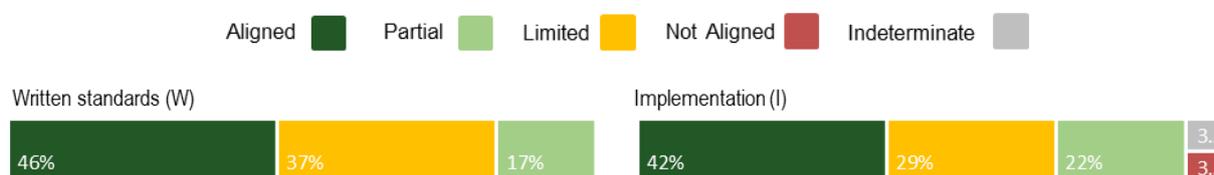
Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

The initiative requires and evaluates that:

#	Criteria	W	I
9	The enterprise has established a policy or policies that includes RBC commitments regarding its own activities and operations.		
10	The enterprise has established a policy or policies that articulates its expectation of suppliers on RBC matters across the length of its supply chain.		
11	The policy includes commitment to observe the OECD Guidelines for Multinational Enterprises and issues covered by the Guidelines. The policy should also commit to upholding international standards on sector risks and subsector risks, relevant to the enterprise and make explicit reference to relevant international standards.		
12	The policy includes commitments regarding known sector risks and any other risks that have been identified to be "significant risk" in the enterprise's own operations.		
13	The policy includes expectations of suppliers regarding known sector risks and any other risks that have been identified to be "significant risk" in the enterprise's supply chain.		
14	The policy includes a commitment to responsible sourcing practices; i.e. a commitment that the enterprise will seek to prevent its purchasing practices contributing to harmful impacts.		
15	The policy stipulates the enterprise's expectations regarding the use of subcontractors, when relevant, including a definition and distinctions in subcontracted work if they exist.		
16	The policy includes a commitment to meaningful stakeholder engagement in the course of due diligence.		
17	The policy includes the enterprise's expectations regarding the outsourcing to homeworkers and the use of handwork, where relevant to the enterprise's business model.		
20	The policy has been developed with and informed by relevant internal and external expertise.		
21	The policy is approved at the most senior level of the enterprise.		
22	The policy is updated through an iterative process that builds on increasing knowledge about harms in the enterprise's supply chain.		
24	Senior staff with competence, knowledge and experience oversee the implementation of the RBC policy(ies).		
25	The policy is made publicly available.		
26	The policy has been communicated to all relevant employees.		
27	The policy has been communicated to all direct suppliers.		
28	Adequate support and resources are allocated to due diligence on human rights, labour, environment and integrity risks.		
29	Due diligence is incorporated into decision-making processes at an organisational level.		
30	Alignment is established across teams and business units to support the implementation of the RBC policy.		
31	Information management systems are accurate and current and capable of storing the full extent of information necessary to conduct due diligence.		
33	The enterprise is encouraged to build into supplier contracts an obligation to support supply chain due diligence of risks linked to upstream production where appropriate.		

Step 2. Identify actual and potential harms in the enterprise's own operations and in its supply chain

Alignment against Step 2 criteria



Note: Criteria 44-48 are only weighted as ½ point each.

Within an OECD due diligence approach, companies are expected to conduct a broad scoping exercise to identify all areas of the business, including in its supply chain, where RBC risks are most likely to be present and most significant.¹⁶ The term “significant” refers to the likelihood and severity of harm with severity being judged on scale, scope and irremediable character. Starting with the significant areas of risk, companies are then expected to carry out an iterative and increasingly in-depth assessment of prioritised suppliers in order to identify specific actual impacts.¹⁷

Scoping

Strengths

- The AGT requires companies to conduct a scoping exercise to identify the most significant risks of harm in their supply chain while taking into consideration country, product, sourcing and business risk factors in a way that is aligned with the OECD Garment and Footwear Guidance.** This was evidenced in the due diligence questionnaire and shadow assessments and supported through interviews with account managers and companies.

Examples

- In individual interviews with account managers, all managers stated that a core component of the review process is understanding how companies identify risks across the supply chain and specifically how data from audits are supplemented with other credible sources of information, particularly on risks that may be difficult to identify through a factory audit or assessment (harassment and restrictions on freedom of association were both referenced consistently on this point).
 - In interviews with companies, the OECD Secretariat found that companies consistently described their risk assessment process – as required by the AGT – in a way that aligns with OECD due diligence guidance.
- An expectation that companies prioritise risks based on the severity of harm – with severity defined as the scale, scope and irremediable character of the harm – seems to be deeply integrated into the review process as well as into the capacity building of companies.**

Examples

- In an interview, one company noted that “The company is going to jump much faster and higher if we look at something like a recycled sweater. What the Secretariat [SER] wanted [in the review process] is for us to really set a clear structure as to why we work on topics.

If you're producing in Asia, well basically then living wages should be on the top of the list for everyone and if people don't have it in that place, they haven't done their risk assessment properly. I think that is what they [the SER] are looking for and it makes the system credible."

Site-level assessments

Strengths

- a. The AGT incorporates expectations that companies carry out site-level assessments of suppliers operating in higher-risk contexts.
- b. The AGT likewise recognises that while supplier audits may be a helpful tool, not all audits are equal in terms of their depth or quality. For example, guidance incorporated into the AGT due diligence questionnaire recognises that "the quality and reliability of audits can vary greatly". In recognition of this, the SER consistently encourages companies to take actions to drive towards more effective audits and to identify gaps in audit reporting. For example, in interviews with SER account managers, all managers noted that they encourage companies to compare audit findings with country risk profiles.¹⁸ During one of the shadow assessments, the SER account manager encouraged the signatory company being reviewed to proactively provide feedback to third-party audit companies on the quality of their audit reports to encourage higher quality assessments.

Opportunities

Three primary opportunities exist for the AGT to strengthen alignment with the recommendations under Step 2 of the OECD Garment and Footwear Guidance:

- a. The AGT could place a stronger emphasis on how the nature of assessments corresponds to specific risks and the local operating context and how information is corroborated. While the AGT does provide recommendations on reactively reviewing audit reports, little emphasis is placed on proactively reviewing how an assessment will be conducted to ensure that it is fit for purpose (i.e. in terms of the nature of the assessment, its relevance in the local context, and information collection and corroboration). This is particularly relevant for RBC risks which may be more difficult to identify, such as restrictions on freedom of association, sexual harassment and abuse, and forced labour.
- b. Similarly, the AGT could place a stronger emphasis on the qualifications of assessors. The OECD Garment and Footwear Guidance includes fairly robust recommendations on the qualifications for those conducting assessments (Criteria 61-63). This is particularly relevant for risks that require a technical expertise, such as fire safety and building integrity, but is likewise relevant for risks that are severe and may require a more skilled interviewer or investigator, such as for forced labour.
- c. Finally, the AGT could strengthen its focus on how stakeholders (e.g. workers) are engaged during the supplier assessment process, including in the development and implementation of assessments. This is largely missing from the assessment framework.

The OECD Secretariat recognises that it may be difficult for individual companies, and particularly small and medium-sized enterprises, to carry out individual reviews of audit bodies, their methodologies and the quality of their auditors. However, the AGT as a collective could commission a review of the protocols and methodologies of the most commonly used audit bodies amongst the membership as well as the criteria for individual auditors/assessors across the nine risk areas covered by the AGT.

Alignment against Step 2 criteria

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

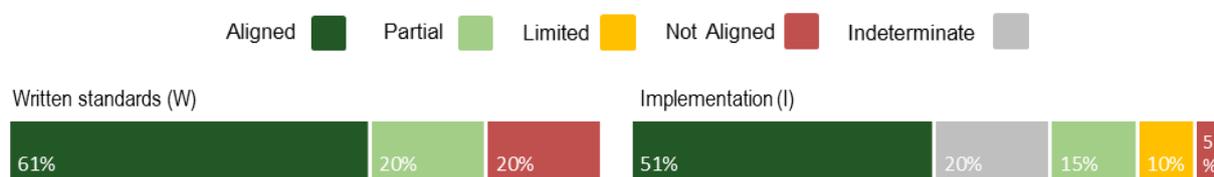
The initiative requires and evaluates that:

#	Criteria	W	I
32	The enterprise conducts a scoping exercise to identify the most significant risks of harm in its own operations and in its supply chain.		
33	The scoping builds on known sector and subsector risks.		
34	The scoping takes into account risks that may be specific to the products that the enterprise makes or sells.		
35	The scoping takes into account factors within the countries where the company operates or sources that may make sector risks more likely.		
36	The scoping takes into account risk factors that may be specific to the enterprise's sourcing model.		
37	The scoping takes into account components of the company's business model that may increase the likelihood or scope of risks in its supply chain.		
38	The enterprise has determined which risks of harm are most significant in its own operations and in its supply chain and prioritises those for action first.		
39	The scoping is documented.		
40	Where gaps in information exist, the enterprise is encouraged to consult with stakeholders and experts.		
41	The enterprise reviews the findings of the scoping assessment on a semi-regular basis.		
42	The enterprise continually updates the information feeding into its understanding of the risks of harm and accounts for changing circumstances.		
44	The enterprise carries out a self-assessment of its own operations to determine the extent of risks and actual impacts.		
45	The enterprise is encouraged to follow existing credible guidance for employers when assessing for risks of harm in its own operations.		
46	The enterprise engages with potentially affected stakeholders (workers, trade unions and representative organisations) to identify potential and actual harm in its own operations.		
47	The enterprise reviews its policies and systems to assess the extent to which risks are being prevented or mitigated.		
48	The enterprise is encouraged to seek external support to conduct a self-assessment if the impact may cause severe harm if not prevented and the prevention measures require technical expertise not available in-house.		
49	The enterprise assesses suppliers who are associated with higher risks of those harms prioritised during the scoping exercise.		
50	Where severe risks are linked to upstream processes (e.g. cotton growing), the enterprise seeks assurances that the prioritised suppliers upstream are being assessed.		
51	It is encouraged that supplier assessments are conducted when there are gaps in information or where the context has likely changed.		
52	The enterprise assesses the measures that the supplier has implemented to prevent harm.		
53	The enterprise assesses the actual harm on the ground and risks of harm.		
54	The enterprise assesses the extent to which the workers are aware of their rights in relation to human rights and labour rights.		
55	The enterprise assesses whether the supplier has established an operational-level grievance mechanism and whether it is effective.		
56	The nature of the assessment corresponds to the potential risk.		
57	The assessment is adapted to the local context.		
58	For labour and human rights issues, workers are involved in the design of assessments.		
59	For risks of harm which are subjective, multiple data points are used to assess the situation.		
60	The assessment methodology is adjusted if actual findings do not correspond to expected findings.		
61	The assessment team has extensive knowledge of the relevant risks that the enterprise is assessing for, including an understanding of the best methodology to identify actual and potential harms related to risk within the local context.		

#	Criteria	W	I
62	The assessment team has knowledge of national and international standards related to the adverse impact.	Yellow	Yellow
63	The assessment team has the capability to conduct the assessment within the local context.	Yellow	Yellow
64	The enterprise makes good faith efforts to understand whether it has caused, contributed to or is linked to the impacts that it has identified.	Dark Green	Light Green

Step 3. Cease, prevent or mitigate harm in the enterprise's own operations and in its supply chain

Alignment against Step 3 criteria



Note: Criteria 66-72 are only weighted as ½ point each.

The OECD Garment and Footwear Guidance calls on companies to develop and implement plans to prevent or mitigate future harm in their supply chains. While the guidance is not prescriptive on the specific measures that companies should take to prevent and mitigate impacts, the measures pursued should be proportionate to the severity of the harm and draw from best known practices. Workers should be engaged in the design and implementation of measures related to labour risks.

Strengths

- Interviews with account managers and companies indicated that the AGT places a strong emphasis on how companies can seek to control their exposure to risks in the supply chain. In recognition that many company signatories to the AGT are small and medium-sized enterprises, the emphasis on internal control measures is one way in which a company's due diligence can be tailored to its size and circumstances. For example, in an interview, one account manager noted that the companies that he/she was working with were generally very small with limited resources to allocate towards addressing risks and held limited leverage with their suppliers. Therefore, he/she sought to support companies in identifying aspects which were within their control, such as strengthening prequalification systems so that sourcing was directed towards more responsible suppliers in the first place.
- Within their capacity-building role, the SER has taken efforts to support signatory companies in building their capacity to prevent and mitigate impacts in their supply chains. This is predominantly demonstrated through trainings, both mandatory and voluntary, and by connecting companies with relevant experts and NGOs both within and outside of the AGT membership. See also Collaboration (Section 4).
- Where existing solutions are available through multi-stakeholder initiatives or elsewhere, account managers consistently pointed companies to these options. See also Collaboration (Section 4).
- The review of (and capacity building around) purchasing practices was significantly strengthened over the period of this review.

Examples

- A review of the purchasing practices aligned with OECD due diligence guidance was a focus in both of the company review processes observed through the shadow assessments of the OECD Secretariat.
- A number of companies have started implementing Better Buying¹⁹ as a direct result of their engagement with the AGT.

- The AGT has also collaborated with ACT and the Partnership for Sustainable Textiles to make the ACT purchasing practices questionnaire available to companies.

Opportunities

- a. During one of the shadow assessments, the OECD Secretariat noted that the review process did not sufficiently evaluate the quality and appropriateness of the company's actions to address prioritised risks in its supply chain. For example, the company being reviewed noted that it did not have a systematic approach to dealing with issues beyond child labour. While the company caveated this statement by noting that it tries to take a more tailored approach to other risks in its supply chain, the company did not elaborate on how it seeks to apply best practices or adjust its approach to the local circumstances. The review process did not include a fundamental discussion of the specific actions that the company was taking to prevent and mitigate risks in its supply chain with suppliers and whether those processes were based on good practice, engagement with stakeholders (for labour risks) and engagement with experts as necessary.
- b. Currently the due diligence questionnaire does not make a distinction between companies that own their own production and those that are sourcing from third parties. As a result, it was difficult to ascertain whether companies that own their own production sites were evaluated against criteria unique to their circumstances. For example, under the OECD Garment and Footwear Guidance, companies should:
 - implement best practices for employers in preventing and mitigating harm in their own operations
 - engage workers and trade unions when developing actions to prevent and mitigate (labour-)related measures
 - in the short term, take immediate actions to prevent any immediate and critical danger.
- c. The AGT Assessment Framework at the time of the OECD Secretariat's review does not set or evaluate expectations around responsible disengagement. OECD due diligence guidance states that enterprises may disengage after failed attempts at preventing or mitigating impacts, where the enterprise deems preventing or mitigating impacts not feasible, and when the enterprise has identified severe harm. In cases in which companies do disengage, the AGT could provide a stronger framework for reviewing whether such disengagement was responsible (see criteria 86-89).

Example

- During both shadow assessments, both companies being reviewed noted that they had taken significant measures to consolidate their supplier base. For example, one company report indicates that it has decreased its supplier base by almost 40% in the past two years. Responsible disengagement was not raised in either of the shadow assessments by the account managers.²⁰ While in both of these cases, companies disengaged for commercial reasons, recommendations on responsible disengagement still apply.

Alignment against Step 3 criteria

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

The initiative requires and evaluates that:

#	Criteria	W	I
66	The enterprise establishes and implements a plan to prevent and/or mitigate future harm in its own operations.		
67	In the short term, the enterprise takes immediate actions to prevent any immediate and critical danger.		
68	In the longer term, the enterprise seeks to develop outcome-oriented solutions that lead to prevention of harm.		
69	The company's plan to prevent and mitigate harm includes clear timelines for follow-up.		
70	The measures pursued to prevent and mitigate harm are proportionate to the severity of harm.		
71	Based on the level of risk, the enterprise has considered whether to seek expert advice.		
72	Workers, trade unions and representatives of the workers' own choosing are engaged during the development of the company's measures to prevent and mitigate labour-related issues (in the company's own supply chain).		
73	The enterprise develops and implements its own plan to seek to prevent or mitigate future harm in its supply chain.		
74	If a risk of contributing to harm in the supply chain is identified, the enterprise develops and implements a plan to prevent its contribution to harm.		
75	For brands and retailers: The enterprise is encouraged to implement control measures to prevent contributing to harm through its purchasing practises even if it has not identified specific instances of this.		
76	The enterprise has developed pricing models that account for the cost of wages, benefits and investments in decent work.		
78	Enterprises may implement internal measures to manage risks in their supply chain. These include measures that the company itself can control.		
79	The enterprise seeks to prevent/mitigate risks through its product development processes.		
80	The enterprise has a good, local knowledge of its suppliers.		
81	The enterprise is encouraged to establish incentives for suppliers to comply with the RBC policy(ies).		
82	The enterprise may use its leverage to influence its suppliers.		
83	If an enterprise does not hold leverage it is encouraged to pool leverage with other buyers.		
84	The enterprise may support suppliers in preventing or mitigating impacts.		
85	The enterprise may engage with government to seek to prevent or mitigate adverse impacts.		
86	The enterprise disengages from the supplier, when appropriate, to prevent adverse impacts in its supply chains.		
87	If the enterprise determines the need to disengage from the supplier, it complies with national laws, international labour standards, and terms of collective bargaining agreements.		
88	If disengaging from a supplier, the enterprise provides information supporting the business decision to management and the union (if one exists).		
89	If disengaging from a supplier, the enterprise gives the supplier sufficient notice of the end of the relationship.		
90	For as long as an enterprise has an ongoing relationship with a supplier, it can demonstrate its own efforts to mitigate the identified adverse impact(s).		

Step 4. Track

Alignment against Step 4 criteria



Note: Criteria 92-95 are only weighted as ½ point each.

The OECD Garment and Footwear Guidance states that companies should seek assurances that the actions that they – or their suppliers – have taken or are taking are effective in preventing and mitigating harm in their supply chains. The timing of verification, monitoring or validation should correspond to the severity and nature of the harm and consider appropriate corrective action timelines.

Strengths

Monitoring a company's actions and any related risks and impacts is a consistent thread throughout the due diligence questionnaire. It is embedded throughout the review process cycle and many of the questions work together to seek to provide an overall picture on how the company itself understands and measures its activities and their effectiveness. The OECD Secretariat also found that monitoring was one of the primary themes of both shadow assessments.

Opportunities

- The OECD Secretariat did not find evidence that the AGT specifically encourages or reviews that companies engage technical experts in monitoring severe risks. For example, under the module on Occupational Health and Safety, the OECD Garment and Footwear Guidance states that “qualified independent professionals (e.g. structural engineers, etc.) should monitor and evaluate the implementation of the CAP [corrective action plan] and verify corrective actions have been taken within the agreed upon timeframe”. This also aligns with feedback provided under Step 2.
- During one of the shadow assessments, the OECD Secretariat noted that the objectives of the company being reviewed were extremely broad. For example, the company had set the goal of a supply chain without child labour or restrictions on freedom of association. While these are indeed the ultimate goals of company due diligence, it was not clear how the company was monitoring its success against such goals. In this case, it would have been helpful if the SER had requested further information on how the company was able to analyse over time whether it was effectively driving towards supply chains without child labour or restrictions on freedom of association – including what data is used to track these indicators, how that data are analysed and at what stages data are reviewed to determine if the company is working towards its objectives.

Alignment against Step 4 criteria



The initiative requires and evaluates that:

#	Criteria	W	I
91	In relation to a company's owned production The enterprise has implemented assurance mechanisms to assess whether its due diligence requirements are being met in its own operations (e.g. production units).		
92	In relation to a company's owned production The enterprise monitors due diligence and risk management on an ongoing basis using appropriate performance indicators.		
95	In relation to a company's owned production The enterprise engages with external experts to verify the effectiveness of due diligence and risk management measures where impacts may cause severe harm if not adequately prevented, or where prevention measures require technical expertise.		
96	The enterprise has implemented assurance mechanisms to assess whether its due diligence requirements are being met in its supply chain.		
97	Whenever possible, the enterprise should monitor indicators – either direct or indirect – over time to validate that impacts have been or are being prevented.		
98	The enterprise draws on all known information, including data from ongoing monitoring, internal periodic assessments, issues raised through grievance mechanisms, etc., to validate that the steps taken by the enterprise are preventing and mitigating impacts.		
99	In instances in which harmful impacts have not been effectively prevented or mitigated, the enterprise seeks to understand why this is the case and responds appropriately.		

Step 5. Communicate

Alignment against Step 5 criteria



The OECD Garment and Footwear Guidance includes a framework for communicating on RBC due diligence. Specific aspects covered within the framework include communicating on the enterprise's RBC policies, the enterprise's due diligence management systems, the most significant risks of harm in the enterprise's operations and its supply chain, the components of the enterprise's plan to prevent or mitigate harm, the enterprise's systems to provide access to remediation, and information on how the enterprise engages meaningfully with stakeholders in carrying out due diligence.

Companies within the AGT commit to report on their due diligence in their third year of membership.²¹ The AGT supports companies in meeting this commitment by establishing clear expectations on what and how to communicate. These commitments are reviewed in the due diligence questionnaire and through the company review process. The first set of public due diligence reports by AGT company members were published in 2019. In 2019, many companies in the AGT communicated on their due diligence publicly for the first time ever as a direct result of their participation in the AGT.

During this Alignment Assessment, the OECD Secretariat only had visibility over how the SER reviewed one company's public reporting. The following strengths and opportunities therefore relate to the review process of one company. In order to gauge the extent to which the below findings were potentially relevant beyond one company, the OECD Secretariat also carried out a review of ten public reports by AGT signatory companies on a random basis. While the analysis of these reports did not form the basis of alignment scores, they did provide supporting evidence that the below opportunities are relevant beyond the shadow assessment in which the OECD participated.

Strengths

- a. The OECD Secretariat found that the reporting requirements of the AGT were fully aligned with the recommendations under Step 5 on reporting within the OECD Garment and Footwear Guidance.
- b. As a direct result of their participation in the AGT, a number of AGT signatory companies reported on their due diligence processes for the first time. For example, in a review of ten company reports, five companies noted that they were publicly reporting on due diligence processes for the first time.
- c. In a review of ten AGT signatory company reports, the OECD Secretariat found that almost all companies reviewed:
 - described due diligence in line with OECD due diligence guidance
 - included definitions aligned with OECD due diligence guidance
 - reported on their goals to address their purchasing practices
 - noted their key sourcing countries and also described the risk profiles in each of the countries
 - provided a picture of where the company was in its due diligence journey and where challenges remain.

Opportunities

The OECD Secretariat recognises that many companies reported in 2019 on their due diligence approaches for the first time ever. As such, it is understandable that in these cases the SER may take a stronger capacity-building role with companies rather than a more critical approach. However, for companies that have been publishing corporate sustainability reports for years, a more critical review of the company's public reporting could be appropriate to ensure alignment with the AGT and OECD recommendations on due diligence communication.

Opportunities remain to strengthen the review process of company public reporting against the AGT communication criteria. During a shadow assessment, the OECD Secretariat noted that the company being reviewed had received a full score for aspects of its due diligence reporting which the OECD found to be lacking. For example, the company had received the highest score possible for communicating on stakeholder engagement, despite having provided quite limited descriptions on the company's stakeholder engagement in the due diligence process. The OECD Secretariat found a few other similar cases.

Alignment against Step 5 criteria

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

The initiative requires and evaluates that:

#	Criteria	W	I
101	The enterprise communicates publicly on its supply chain due diligence.		
102	The enterprise communicates publicly on its due diligence management systems.		
103	The enterprise communicates publicly on its most significant risks in its own operations and within its supply chain.		
104	The enterprise communicates publicly on its processes for assessing risks.		
106	The enterprise communicates publicly on its plan to prevent and mitigate harm in its own operations and progress on these measures.		
107	The enterprise communicates publicly on its plan to prevent and mitigate harm in its supply chain, and progress on those measures.		
108	If relevant, the enterprise communicates publicly on its objectives for government policy engagement and on the outcomes of engagement efforts.		
109	The enterprise communicates publicly on how it has meaningfully engaged with its stakeholders.		
110	The enterprise communicates publicly on the processes that provide access to remediation in its own operations.		
111	The enterprise communicates publicly on processes that provide access to remediation in its supply chain.		
112	The enterprise communicates publicly on the collaborative processes with which it engages that facilitate due diligence.		
113	The enterprise communicates publicly, as a minimum, on an annual basis.		
114	Information is communicated in a way that is relevant, accurate, clear, user-friendly with plain language, and is presented in such a way that the intended users are able to access information.		
116	The enterprise is prepared to communicate on how it addresses its human rights impacts.		
117	If the enterprise's operations or operating contexts pose a risk of severe human rights impacts, the enterprise reports formally on how they are addressed.		
118	Communications are accessible to impacted stakeholders.		

Step 6. Provide for or co-operate in remediation when appropriate

Under the OECD Guidelines for Multinational Enterprises, companies should provide for or co-operate in the remediation of adverse impacts where they have caused or contributed to those impacts. One way that companies are encouraged to meet this expectation is by establishing or participating in grievance mechanisms that meet the core criteria of: legitimacy, accessibility, predictability, equitability, transparency, and being dialogue-based.

This assessment of Step 6 included a review of both the AGT review process of companies and the AGT dispute mechanisms. The AGT incorporates expectations of signatory companies related to Step 6 into the due diligence questionnaire and reviews those practices during a desktop and in-person review (as with all other steps of the due diligence process above). The AGT also includes two complaints mechanisms through which cases can be raised against companies: a formal complaints and disputes mechanism and an informal mechanism.

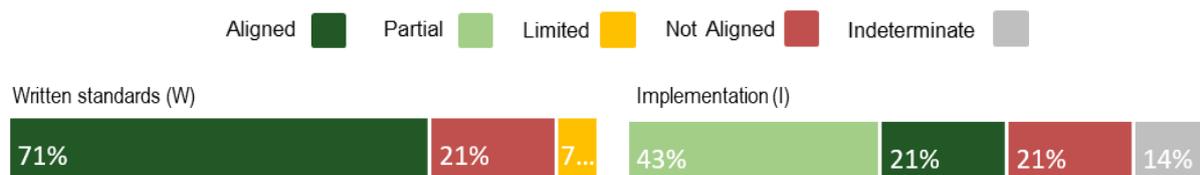
The formal complaints and disputes mechanism was developed as an outcome of the Dutch Agreement on Sustainable Garment and Textile. The mechanism is independent and considers grievances by individuals or groups directly affected by a participating company's activities as well as disagreements that arise between signatory companies and the SER.²² However, the AGT designed the formal complaints and disputes mechanism with the aim of meeting the effectiveness criteria for non-judicial grievance mechanisms established by the UN Guiding Principles on Business and Human Rights.²³ At the time of the OECD's review of the formal complaints and disputes mechanism from January 2019 to May 2019, no cases had been submitted by individuals or groups pertaining to a company's activities.²⁴ In recognition of this fact, the OECD only carried out a review of the Rules of Procedure (RoP) of the mechanism (i.e. its written standards) and did not conduct an assessment of its implementation. Implementation was considered to be indeterminate. The OECD Secretariat has provided informal feedback to the AGT on elements of the complaints and disputes mechanism that may be resulting in cases not being raised with the AGT directly, but this did not fall within the scope of this assessment.

An informal complaints mechanism exists alongside the more formal mechanism described above. This informal complaints mechanism includes a process by which trade unions, NGOs and other concerned parties can raise complaints against companies directly to the SER. In January 2019, the procedures of the informal mechanism were largely undefined: cases were handled by the SER, but accompanying protocols had not yet been developed. Over the period of this review, the SER has developed public protocols for receiving and addressing complaints through the informal mechanism, which are posted on the AGT website.

As of April 2019, the SER had received requests for information on 13 cases. These requests – submitted between 2016 and January 2019 – addressed potential adverse impacts at production sites, including alleged restrictions to freedom of association and assembly, suicides in spinning mills, and rights of temporary workers to a salary. Some requests did not directly invoke a signatory company but addressed broader country-context issues that, in light of signatory companies' sourcing practices, could have potential impacts for their due diligence. By way of illustration, forced labour risks in Malaysia and China. As of April 2019, of the cases that involved production-site specific issues, only one had been concluded.

In practice, both the formal complaints and dispute mechanism and the informal complaints mechanism rely on the publication of companies' production sites. Under the agreement, signatory companies provide a list of the production sites that they have used in the previous year, and an aggregate list is published on the AGT's website. This list, updated on an annual basis, serves as the basis for potential complaints against signatory companies.

Alignment of the Step 6 review process by AGT



Strengths

- a. The AGT Assessment Framework generally aligns with recommendations in the OECD Garment and Footwear Guidance and places a strong emphasis on alignment with the effectiveness criteria included in the UN Guiding Principles on Business and Human Rights.
- b. The OECD Secretariat noted that grievances were one of the focus points of discussion during one of the shadow assessments, with a particular emphasis on how the company was addressing grievances at a country level.
- c. The SER takes a pragmatic approach to grievance mechanisms, in the sense that it both recognises company participation in existing sector-wide grievance mechanisms while also acknowledging the typical limitations of grievance mechanisms.

Opportunities

- a. It may not be feasible for the SER to evaluate the effectiveness of a company's grievance mechanism – particularly when assessing larger companies operating across a wide range of companies – through a document review. It may be more feasible for the SER to evaluate the efforts that the company takes to evaluate and improve upon the effectiveness of grievance mechanisms.
- b. The AGT Assessment Framework does not assess companies on whether remedy provided is appropriate (i.e. is aligned with national laws and international guidelines and standards, where available and that the company should engage with the affected stakeholder(s) in the determination of the remedy). The assessment framework likewise does not consider whether “where a grievance mechanism is established, it does not preclude access to judicial recourse (e.g. through legal waivers) for victims of gross human rights violations and the enterprise does not interfere with civil or criminal investigations or human rights examinations”. (Criterion 128).

In order to provide a deeper assessment of the extent to which companies are seeking to establish (or participate in) effective grievance mechanisms, the AGT could consider evaluating each of the nine effectiveness criteria of the UN Guiding Principles on Business and Human Rights individually (i.e. rather than grouping them together in one question). This may initially be more appropriate in the review process of companies that are more advanced in their due diligence journey.

Alignment against Step 6 criteria



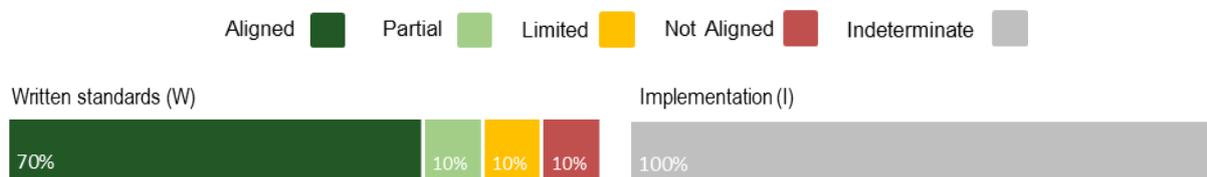
The initiative requires and evaluates that:

#	Criteria	W	I
119	The enterprise has established a process to enable remediation in relation to human rights impacts.		
120	The enterprise is encouraged to establish processes to enable remediation for adverse impacts other than human rights impacts (e.g. labour, environmental or integrity impacts).		

#	Criteria	W	I
121	Where a grievance mechanism is established, it is based on the core criterion of legitimacy.	■	■
122	Where a grievance mechanism is established, it is based on the core criterion of accessibility.	■	■
123	Where a grievance mechanism is established, it is based on the core criterion of predictability.	■	■
124	Where a grievance mechanism is established, it is based on the core criterion of equitability.	■	■
125	Where a grievance mechanism is established, it is based on the core criterion of transparency.	■	■
126	Where a grievance mechanism is established, it is based on the core criterion of being dialogue-based.	■	■
128	Where a grievance mechanism is established, it does not preclude access to judicial recourse (e.g. through legal waivers) for victims of gross human rights violations and the enterprise does not interfere with civil or criminal investigations or human rights examinations.	■	■
129	The enterprise is encouraged to publish complaints.	■	■
130	The enterprise engages in legitimate processes that enable it to hear material and substantiated complaints against it that it has caused or contributed to harm in its supply chain.	■	■
131	The remedy seeks to restore the affected person(s) to the situation they would be in had the harm not occurred.	■	■
133	The remedy meets national laws and international guidelines and, where standards are not available, the remedy is consistent with previous cases.	■	■
135	The enterprise assesses the level of satisfaction with the process and the outcome of those who raised the complaints.	■	■

Formal complaints mechanism under the AGT

Alignment of the formal complaints and disputes mechanism



Strengths

The written standards contained in the Rules of Procedure (RoPs) of the formal complaints and disputes mechanism of the AGT largely align with the effectiveness criteria for operational-level grievance mechanisms established within the OECD Guidelines for Multinational Enterprises of legitimacy, predictability, equitability, transparency, being dialogue-based and accessibility.

There are numerous strengths of the complaints mechanism, which have been reviewed and documented in other third-party reviews. The following details some of the strengths of the formal complaints mechanism but is not intended to be comprehensive.

- a. The complaints mechanism was developed with input from all parties to the Agreement, including companies, NGOs, trade unions and the Government of the Netherlands.
- b. The complaints mechanism is overseen by an independent chair with expertise in non-judicial grievance mechanisms and human rights, a member with entrepreneurial expertise in the industry (appointed by industry organisations) and a member with expertise in the sector's supply chain (appointed unanimously by the trade unions and NGOs party to the AGT).
- c. The RoPs detail ways in which the mechanism facilitates accessibility.

Examples

- The RoPs make clear that where one or more stakeholders reside in a foreign country and cannot attend in person, their participation can be facilitated by the use of other means such as calls and video-conferencing.²⁵
 - Where submitters or other facilitators do not speak English or Dutch, the Committee can appoint an independent translator.²⁶
 - According to the RoPs, a mandated third party can represent complainants.²⁷
- d. The RoPs clearly detail the process for accepting and hearing complaints along with the relevant timelines.
- e. The RoPs include clauses to support the equitability of the mechanism. For example, the RoPs indicate that upon request the Committee can grant requests to call witnesses and/or experts for oral hearings and that all parties will be provided the same opportunity to attend and propose questions to be addressed at the hearings. Following the hearings, parties will receive minutes of the hearing.²⁸
- f. The complaints mechanism has the right to enable the provision of remedy. The RoPs establish that the Committee can issue decisions that can include binding recommendations for improvement, a duty to remediate in accordance with the UNGPs and the OECD guidelines, including by providing financial compensation where causality has been established, and non-binding recommendations.²⁹ It could be beneficial for the RoPs to likewise indicate how appropriate remedy is determined.

Opportunities

- a. The formal complaints and disputes mechanism could include stronger procedures to protect against reprisal. Risk of reprisals is addressed primarily in the context of ensuring protection of third parties that provide information but not of ensuring protection of the complainants themselves.³⁰
- b. The Rules of Procedure indicate that when the Committee overseeing the formal complaints and disputes mechanism "deems the Complaint brought by a Stakeholder or Mandated Party to be in bad faith, it can order the Stakeholder to reimburse the costs on the side of the Enterprise". This clause undermines both the legitimacy and the accessibility of the mechanism.
- c. Based on the substantiation criteria, it appears as if the mechanism imposes a foolproof threshold rather than reasonable plausibility, which reduces the mechanism's legitimacy.
- d. The formal complaints mechanism could provide information publicly on complaints that were submitted but which have not been deemed admissible. In not doing so currently, the transparency of the mechanism is reduced.

Alignment against Step 6 criteria – formal complaints and disputes mechanism

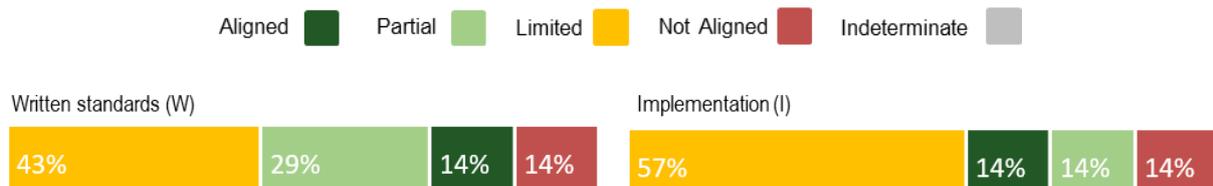
Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

#	Criteria	W	I
121	Where a grievance mechanism is established, it is based on the core criterion of legitimacy.	■	■
122	Where a grievance mechanism is established, it is based on the core criterion of accessibility.	■	■
123	Where a grievance mechanism is established, it is based on the core criterion of predictability.	■	■

#	Criteria	W	I
124	Where a grievance mechanism is established, it is based on the core criterion of equitability.	■	■
125	Where a grievance mechanism is established, it is based on the core criterion of transparency.	■	■
126	Where a grievance mechanism is established, it is based on the core criterion of being dialogue-based.	■	■
128	Where a grievance mechanism is established, it does not preclude access to judicial recourse (e.g. through legal waivers) for victims of gross human rights violations and the enterprise does not interfere with civil or criminal investigations or human rights examinations.	■	■
131	The remedy seeks to restore the affected person(s) to the situation they would be in had the harm not occurred.	■	■
133	The remedy meets national laws and international guidelines and, where standards are not available, the remedy is consistent with previous cases.	■	■
135	The enterprise assesses the level of satisfaction with the process and the outcome of those who raised the complaints.	■	■

Informal complaints mechanism under the AGT

Alignment of the informal complaints mechanism



Opportunities

- The legitimacy of the informal mechanism is still fairly limited. As a mechanism that developed in a more ad hoc fashion, the protocols around the handling of cases were not developed in close consultation with affected stakeholders or their representatives.³¹
- The informal mechanism does not yet consider and account for the risks of reprisal against complainants. While complainants can be represented by a third party (e.g. a multi-stakeholder initiative), there are no clear procedures on handling data on the complainant or ensuring that information is not forwarded on to parties (e.g. the employers of complainants) that could put the complainant in a situation of risk.
- In interviews with stakeholders, there was a perception of a lack of neutrality of the SER. Within this context, the AGT could further consider the position of the SER as the contact point for cases or strengthen the protocols and transparency on handling cases so as to address perceived conflicts.
- The predictability and transparency of the informal mechanism is likewise perceived to be limited amongst some stakeholders that have raised complaints. During the OECD Secretariat's initial review, the AGT did not yet have any standardised procedures for hearing and responding to complaints. Complaints were generally heard, reviewed and handled in an ad hoc fashion. During the period of the Alignment Assessment, the SER developed an informal complaints procedure that provides further details on the process of receiving complaints and the role of the SER.

However, the informal complaints mechanism could further be strengthened by stating clear timelines for action and follow-up by the SER. The role of the SER in determining if a case is credible is likewise important. For example, in four cases, the SER found that the company linked to the production site in question was no longer sourcing from the production site. In instances in which the SER determines not to connect a company with a complainant (e.g. if the company claims that it is no longer sourcing from the site), the SER could clarify its role in either investigating, validating (or not) such claims. Finally, how cases are to be handled once the complainant has been connected to the relevant company (e.g. whether there is an option of mediation, discussion, etc.) could be clarified.

Alignment against Step 6 criteria – informal complaints mechanism

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

#	Criteria	W	I
121	Where a grievance mechanism is established, it is based on the core criterion of legitimacy.		
122	Where a grievance mechanism is established, it is based on the core criterion of accessibility.		
123	Where a grievance mechanism is established, it is based on the core criterion of predictability.		
124	Where a grievance mechanism is established, it is based on the core criterion of equitability.		
125	Where a grievance mechanism is established, it is based on the core criterion of transparency.		
126	Where a grievance mechanism is established, it is based on the core criterion of being dialogue-based.		
128	Where a grievance mechanism is established, it does not preclude access to judicial recourse (e.g. through legal waivers) for victims of gross human rights violations and the enterprise does not interfere with civil or criminal investigations or human rights examinations.		

4. Governance

Governance of the initiative

Alignment against governance criteria



Note: Governance does not factor into the overall alignment score.

A governance assessment was undertaken to understand the extent to which the intentions, spirit and principles of the OECD Garment and Footwear Guidance – beyond the formal recommendations – have been incorporated into the ways in which the AGT has been established and managed.

Strengths

- a. Overall, the governance structure of the AGT is well established and is supported by a robust review mechanism. For example, the AGT has implemented a range of mechanisms to evaluate its progress against goals, such as through annual reports and the mid-term evaluation. While the annual reports tend to be more of a summary of activity, the mid-term evaluation did provide a nuanced review of the effectiveness of the AGT based on interviews and document reviews. The AGT has also committed to conducting a final review (set after five years) and an evaluation of the formal complaints mechanism. At the same time, the AGT is fairly adaptable and able to respond quickly to feedback. This combination of robust formal mechanisms combined with agility is a strong combination and has enabled the AGT to continuously strengthen its approach over the last three years. This was particularly noted by the OECD Secretariat when reviewing the Assessment Framework in February 2019 and December 2019. At each instance, the guidance and evaluation criteria around the Assessment Framework were revised in a way that was more closely aligned with OECD due diligence guidance.
- b. Over the period of this assessment, the AGT further developed its written guidance for account managers for use during annual evaluations of signatory companies. While the nature of the review process is always going to result in some subjective determinations, developing guidance on how each question within the due diligence questionnaire is evaluated supports predictability and consistency across account managers.

Opportunities

- a. One of the key points raised concerning governance by stakeholders in interviews is the dual role

of the SER within its function as account manager to both build capacity of companies and at the same time evaluate those same companies. During the shadow assessments of the OECD Secretariat, it was clear that the SER does navigate between capacity building (e.g. providing suggestions on ways to strengthen a company's approach; seeking to encourage and build support internally from company management for due diligence, etc.) and assessment during the course of an evaluation. Many of the companies within the AGT are small and medium-sized enterprises that are at an early stage in developing due diligence. Within this context of working with companies that are in the early stages of establishing due diligence processes, the dual role of the SER could be appropriate.

While the OECD has not established formal guidance on the dual role of an organisation in capacity building and as assessor, some points that the AGT could consider to address any perceived conflicts of interest include the following:

- The AGT could continue to implement control measures to facilitate an “outside” perspective from the account manager in the review process. For example, account managers could carry out the annual assessment on accounts that are not their own. In this way, the account manager that carries out capacity building is not the same account manager that carries out the assessment.
 - The AGT could consider the potential perceived neutrality problem for account managers in receiving specific cases through the informal complaints mechanism. Because account managers are working so closely with companies within a capacity-building role, account managers may not be the most appropriate parties to hear and address complaints. At a minimum, the perceived conflict of interest should be taken into stronger consideration.
- b. A few businesses raised the perception that the requirements of the AGT have changed over the period of the Agreement. While the agility of the AGT is a strength (see point a above), communicating on such developments may present an area needing improvement. Companies felt that there was not adequate communication on the changes to the review process and how those changes were established.
- c. Finally, one point raised consistently by companies is whether the benchmark by which companies are assessed is consistent across enterprises. For example, some companies raised the concern that they are held to a different and higher standard than other companies and that their more developed systems were not necessarily reflected. This is partially addressed by point c above.

However, this perception may also be due to the fact that while some questions under the due diligence questionnaire directly pertain to a company's achievement of a due diligence process, other questions ask whether or not a company has established goals or achieved progress relative to the past year. Therefore, the due diligence questionnaire evaluates both the extent of a company's due diligence systems as well as a company's progress in relation to the previous year. As such, the score that a company receives is not purely a score of the comprehensiveness of a company's due diligence approach. While not necessarily problematic, it is a point that the AGT could consider in its discussions with companies and/or on its communication externally about how to read the benchmark.

Evaluation against governance criteria

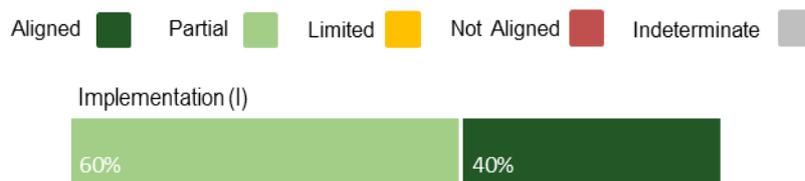
Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

#	Criteria	W	I
147	The initiative has a process for regular updates, including monitoring and evaluating whether the initiative itself is meeting its own aims and objectives in relation to due diligence activities, including, as necessary, updating of its		

	policies, activities and any guidance provided to participating enterprises.		
148	The initiative has given consideration to where there could be actual or perceived conflicts of interest between the management personnel of the initiative and companies, and has established processes to manage potential conflicts of interest.		
149	The initiative publicly provides details of its own internal governance structure, staffing, resources and oversight mechanisms.		

Collaboration

Alignment against collaboration criteria



The Alignment Assessment evaluated how collaboration between companies and other stakeholders to support due diligence has been incorporated into the implementation of the AGT. Collaboration can be multi-lateral, between enterprises, between enterprises and programmes, and between different programmes. Collaboration was only assessed in relation to implementation.

Strengths

- a. The AGT consistently encourages and seeks to facilitate collaboration. The AGT is a relatively young initiative, and therefore is still working through a period of determining which approaches will enable and facilitate collaboration most effectively. Within this framework, the SER and the parties to the agreement are still seeking to find the best pathway for enabling collaboration. However, it is evident from interviews with the SER and all stakeholder groups within the AGT that collaboration is a central focus of the AGT.
- b. Interviews with business and civil society noted that the AGT is playing an important role in helping to share information on good practices in conducting due diligence and on emerging risks. The AGT provides trainings and facilitates the sharing of best practices during its in-person annual meeting. Other tools, such as webinars, are also employed. The SER is likewise active in sharing with companies information on emerging risks that are raised through the informal complaints mechanisms, or from stakeholders or media.
- c. The AGT has been open and sought to collaborate with other organisations to promote access to effective programmes, trainings, etc. for signatory companies. For example, the AGT has forged a collaboration with ACT to help to facilitate access to their purchasing practices questionnaire. Similarly, the AGT (at the time of this review) was in discussions with Fair Wear Foundation to establish a collaboration by which companies could access the complaints mechanism of FWF even if they were not members. There is a strong perception that the SER is proactive and responsive in seeking to drive collaboration to enable due diligence.
- d. All stakeholder groups emphasised that the AGT provides a platform for dialogue between stakeholder groups within the Netherlands. A number of business representatives pointed to the AGT as being the only platform by which they are able to hear the perspectives and concerns of civil society members.
- e. One of the more disputed aspects of the AGT is the publication of aggregate supplier lists. The OECD Secretariat finds that the AGT has helped to facilitate increased transparency. The

aggregate list of suppliers, and particularly the move to the use of the Open Apparel Registry, has increased transparency around supplier locations. In the 2018 Annual Report of the AGT, it was noted that the production site list of AGT company members had increased from 2 802 (end-2017) to 4 268 sites (end-2018). Additionally, the AGT is bringing transparency around the use of materials by companies in the Netherlands, which can be informative to both stakeholders and government in considering how best to target recommendations for the sector.

- f. During the period of this review, collaboration in producing countries was still quite limited. Non-company signatories consistently pointed to the low levels of joint collaboration in-country between companies and NGO-parties to the agreement. At the same time, all stakeholders noted that the expertise of organisations within the agreement does not always naturally align with the risk priorities of companies. While the AGT could continue to consider the role of joint collaborations and ways to strengthen engagement, the OECD Secretariat found that the AGT facilitates the “scaling-up of effective measures” in many other ways – for example, by facilitating access to initiatives outside of the agreement (see c). The role of the AGT in scaling up already-existing and effective collaborations rather than initiating new collaborations could be a way forward and would build on the existing strengths of the AGT.

Opportunities

- a. The AGT could represent a strong point of leverage in key producing economies. Members from business and civil society consistently pointed to the potential role that the AGT could play at a more strategic level to use the joint leverage of the broader partnership – e.g. with governments in producing economies and suppliers (e.g. industry associations) – to drive more systematic and sector-wide change. It should be noted that many companies referenced existing efforts to do this. For example, members signed a letter to the Government of Bangladesh on living wages.
- b. While the AGT seeks to facilitate the sharing of lessons learned, civil society did express that this could be strengthened further. This is a challenge of determining the best platform for enabling such knowledge sharing rather than a question of intention.
- c. Facilitating stakeholder engagement between business and workers in key producing countries could become a stronger aspect of the mandate of the AGT. For example, facilitating such engagement is one of the commitments of the Government of the Netherlands under the Agreement, however, interviews indicated that such stakeholder engagement was not yet occurring systematically.
- d. While the AGT has helped to increase transparency, challenges on transparency were the most consistent point of feedback across non-company signatories. In initial interviews, civil society pointed to the challenges of using the aggregate list of suppliers to identify specific production locations. Non-company members of the AGT likewise pointed to the inefficiencies of having to seek information through the SER because company members are not publicly linked to specific production sites. Civil society frequently noted that they review public supplier lists from individual company members rather than the aggregate list of production published by the AGT. The OECD Secretariat, however, notes that during the period of the assessment, the AGT switched to using the Open Apparel Registry (OAR), which provides more specific geographic positioning and a more standardised form of reporting production locations. The collaboration with the OAR was established after the OECD’s interviews with signatories and therefore it was not possible to determine the effect of moving data onto this platform. While the OECD Secretariat does not hold specific due diligence recommendations on the publication of supplier lists by individual companies, in recognition that the supplier list is the foundation of the complaints mechanism, the AGT could assess whether moving towards requirements on individual publication of supplier lists could be beneficial to increasing access to the complaints mechanism.

- e. A lack of data on AGT company members was consistently pointed to as a barrier to collaboration in interviews with non-company signatories. However, during the period of this assessment, company signatories were required to publish action plans for the first time. The publication of these action plans in 2019 could support better coordination and collaboration on common priority areas between NGOs and company signatories, however, it is too early to evaluate the effect of the published action plans. Additional information, such as an analysis on where gaps in the due diligence process are most persistent across companies (according to the due diligence questionnaire) could likewise help to drive more targeted webinars, trainings, etc.

Evaluation against collaboration criteria

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

#	Criteria	I
136	Pool information	
137	Increase leverage	
138	Scale up effective measures	
139	Increase transparency	
141	Enable stakeholder engagement	

Accountability

Evaluation against accountability targets

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

Implementation (I)



Accountability in the scope of OECD Alignment Assessments refers to the good faith of company members to contribute towards the effectiveness of the initiative and represent it accurately. The primary purpose of including these criteria in the Alignment Assessment is to evaluate whether companies are outsourcing their responsibilities to the initiatives they are participating in and/or using initiatives to “greenwash”.

Strengths

Interviews with stakeholders indicate that while there are varying degrees of engagement in the AGT by company members, engagement is generally conducted in good faith. Companies do not seem to be using the AGT to misrepresent their activities or to outsource their responsibility.

Examples:

- In an interview, one company noted, “The legally binding agreement [is a strength]. Once you’re in there you feel some sort of pressure. That pressure really helps.”
- The changes in policies and management systems of company members is also an indicator that companies are engaging with the AGT in good faith. In interviews, companies (particularly small and medium-sized enterprises) were able to consistently point to the changes in company practices that resulted from their participation in the AGT.

- Many company members noted that they engage with the AGT in their own personal time, which demonstrates at a minimum the personal commitment to the success of the AGT and to the responsibilities.
- In a review of the public communication of six signatory companies about the AGT, members' statements accurately represented the scope of activities and results of the AGT.

Opportunities

There were indications that some companies are engaging in the AGT out of a sense of public pressure. In these cases, such companies are not taking proactive steps to consider how they can contribute towards the effectiveness of the initiative.

Alignment against accountability criteria



#	Criteria	I
142	Where the enterprise participates in a collaborative initiative, it considers how it might contribute towards its effectiveness.	Partial
143	Where the enterprise participates in a collaborative initiative, it understands which components of due diligence the initiative is helping to facilitate.	Aligned
144	Where the enterprise participates in a collaborative initiative, it represents the scope and results of the initiative accurately.	Aligned

Recognition

Evaluation against recognition criteria



Note: Recognition does not factor into the overall alignment score of the initiative.

The AGT has integrated a set of recognised standards and initiatives into the due diligence questionnaire. See the table below for examples of how companies may reference their participation or use of existing standards in responding to a particular question. Additionally, the AGT has entered into agreements with the Sustainable Apparel Coalition (SAC), the Fair Wear Foundation (FWF) and the Partnership for Sustainable Textiles (PST) to reduce the reporting burden placed on companies. Through these agreements, the AGT recognises the evaluation of these third parties where they map to the AGT Assessment Framework.

The scope of this review included the criteria and process of establishing recognition under the AGT, including cross-checking a selection of recognised standards holders against the requirements of the AGT. The OECD did not carry out individual alignment assessments of the standards holders recognised by the AGT. Findings under this chapter are preliminary and are intended to provide direction to the AGT and to indicate where further evaluation may be beneficial. It is not intended to be a comprehensive assessment.

Strengths

- a. Recognising the role of third-party standards in a company's due diligence process is aligned with OECD due diligence guidance and is encouraged. This is particularly important for small and medium-sized enterprises who are likely to rely on existing standards holders and initiatives.
- b. The AGT established a systematic process for reviewing and recognising relevant policy standards against the AGT Assessment Framework. The SER conducted an initial review of the known standards against the expectations of the AGT.
- c. The AGT employed a robust process for reviewing and recognising the due diligence check of third-party organisations – notably the Fair Wear Foundation, the SAC and the PST. The AGT engaged a consultant to map out questions covered by the three organisations. The AGT has also engaged closely with all three organisations to understand how companies are reviewed and piloted the “recognition” process before determining to employ it at scale.
- d. In relation to the recognition of audits, the AGT Assessment Framework (Version December 2019) includes some important qualifications and does not simply accept that all audits are necessarily aligned with AGT expectations. For example, the guidance for companies under question 1.4.2 notes that “Audits often have a certain scope. BSCI, SA8000 and Fair Wear Foundation focus on social themes, for example. Other instruments are needed to monitor the environment and animal welfare.” Furthermore, in all cases companies are encouraged (as noted under Step 2) to evaluate the quality of individual audits and to compare the findings with anticipated findings in light of the company's understanding of risks in the country.
- e. In relation to the recognition of grievance mechanisms, the AGT Assessment Framework recognises that “Currently there is yet no complaints mechanism that meets all effectiveness criteria included in the UN Guiding Principles on Business and Human Rights”. This demonstrates further that the AGT has established processes to evaluate third-party standards and does not simply accept standards because they exist.

Opportunities

- a. Currently, the AGT recognises a range of audit bodies. While measures are taken to encourage companies to review audits on an individual basis, the AGT could review the audit protocols of these recognised initiatives for alignment with OECD guidance on how audits should be carried out. This is particularly relevant for issues that are difficult to address and/or for issues for which the OECD has specific recommendations in relation to auditing/assessments. The AGT could also evaluate how the auditing body ensures that its protocols are being implemented consistently. As companies within the AGT rely on certifications for upstream due diligence, a similar review process of certifications could be beneficial.
- b. The process for recognition of existing standards by the AGT is still fairly recent. If standards become more integrated into the Assessment Framework, the AGT could establish a process for monitoring standards holders and their activities. For example, the AGT could establish a process by which complaints can be raised that a particular standards holder recognised under the AGT is not fulfilling the expectations of the agreement. The AGT is already doing this in some ways – for example, it will review the revised SAC Higg BRM before accepting it – but could develop a systematic process of monitoring recognised standards (e.g. policies) on a semi-regular basis.

Evaluation against recognition criteria

Aligned  Partial  Limited  Not Aligned  Indeterminate 

Topic	Criteria	W	I
Scope	The scope of the standard is assessed in a structured way to ensure it is appropriate for equivalency recognition.		
Design	The content of the standard (i.e. requirements for companies) is assessed.		
Implementation	The initiative evaluates how the standards holder ensures its requirements are implemented.		
Monitoring	A process exists for monitoring and review of the standard's requirements and implementation activities.		

Note: The AGT built out the recognition process in 2019 for individual standards (e.g. policy) and therefore the OECD Secretariat did not evaluate how the initiative is monitoring discrete standards. This rating therefore pertains to the AGT's monitoring of updates in the SAC, FWF and PST frameworks.

5. Recommendations

Overarching recommendations

- 1. Further tailor the review process for companies that are larger or have more complex business models and supply chains**, particularly in relation to how larger companies are integrating due diligence into the decision-making processes.
- 2. Provide more tailored and concrete recommendations for companies that own their own production sites in the assessment framework. Similarly, provide stronger guidance for account managers on how to review companies that own their own production sites to ensure that the discrete OECD due diligence recommendations pertaining to employers are integrated into the review process.** This is particularly relevant in relation to assessing impacts at a company's own production sites, responding to impacts within a company's own operations and establishing operational-level grievance mechanisms.
- 3. Provide further clarity on when and how prioritisation should take place in the due diligence process.** Specifically, clarify that prioritisation is carried out at a scoping level in order to better tailor assessments at the site level. The focus of prioritisation is to hone in on the more severe and specific impacts that are occurring at a site level and to prioritise a company's responses around those known risks.
- 4. Further incorporate meaningful stakeholder engagement into the review process** as it pertains to a) the tailoring of audits/assessments to the local context b) the development of corrective action measures or c) the development of grievance mechanisms. The OECD Secretariat did note positively that this is more systematically integrated into the revised draft assessment framework, revised in December 2019 and therefore not included within this assessment.
- 5. Increase activities by the Dutch Government to facilitate stakeholder engagement in key producing countries**, aligned with its commitments under the AGT to provide "information on international responsible business conduct within the local context".
- 6. Integrate a gender lens into the due diligence processes.**
- 7. Integrate the risk of bribery and corruption into the themes of the Agreement and more consistently throughout all steps of the due diligence questionnaire and assessment process.**³²
- 8. Continue to ensure that account managers have the appropriate skills and expertise to conduct due diligence reviews.**

Step-specific recommendations

Step 1

9. **In relation to policy commitments:**
 - **Integrate the expectation that companies establish a policy commitment to meaningful engagement with stakeholders** into the due diligence questionnaire.
 - **Encourage companies to establish a public policy commitment to “hear and address measured and substantiated complaints against the enterprise** concerning its own operations and to hear and address any complaints that the enterprise has caused or contributed to harms in its supply chain that are raised through legitimate processes”.
 - Provide a framework on what constitutes a strong policy on homeworking aligned with recommendations in the OECD Garment and Footwear Guidance and remove references to exclusionary policies of homeworkers.
10. **When engaging with larger companies, further tailor the review process so as to better address the specific operational reality of these companies (versus smaller and medium-sized enterprises).** This recommendation is also relevant for smaller companies that may have more established due diligence systems.

Step 2

11. **Strengthen guidance and the review process of supplier assessments by incorporating a stronger and more proactive focus on how assessments are tailored to specific risks; the qualifications of assessors** (particularly for risks that require a technical expertise and for risks that may require a more skilled interviewer or investigator, such as forced labour); **and the engagement of workers in the design and implementation of assessments.**

For example, the AGT could itself carry out a comprehensive review of the protocols and auditor criteria for the most commonly used audit bodies amongst the AGT membership.

Step 3

12. During the company review process, **ensure that there is a consistent focus on the appropriateness of a company’s efforts to prevent and mitigate impacts** in its supply chain, specifically, whether a company’s actions are based on good practice (or best available techniques) for the specific risk, engagement with stakeholders (for labour risks) and engagement with experts as necessary.
13. **Provide tailored and discrete questions and guidance for companies that own their own production in relation to preventing and mitigating impacts in their own operations.**
14. **Incorporate more explicit expectations on responsible disengagement into the due diligence questionnaire and review process in line with Criteria 87–89, where appropriate.**

Step 4

15. **Integrate more explicit recommendations into the due diligence questionnaire and accompanying guidance that the monitoring and verification process for more severe risks should be commensurate with the risk.**

- 16. Strengthen the focus on how tracking plays out in practice during the company review process to ensure that companies are able to track over time whether their efforts to address prioritised risk areas are effective across their supply chain.** The OECD Secretariat welcomed the revised assessment framework in December 2019 which included a stronger focus on Step 4 within the due diligence process.

Step 5

- 17. Strengthen the review process of company due diligence reporting to drive alignment with existing AGT recommendations and OECD recommendations for communicating on due diligence.** This may be particularly relevant for companies that have been communicating on their due diligence for more than one year. Additionally, discrete areas that could be honed in on during the review process include the company's public communication on:
- the company's approach to tailoring audits or supplier assessments (or other means of assessing and monitoring risks) to the nature of the risk and the local circumstances
 - the justification for the company's approach to prevent and mitigate harm in its supply chain (note: additional questions have been incorporated into the December 2019 framework which may enable more detailed reporting on this aspect of due diligence)
 - how the company has meaningfully engaged with stakeholders as part of its due diligence
 - the company's objectives for government policy engagement.

Step 6

- 18. Increase the accessibility to the formal and informal complaints mechanisms.**
- 19.** Consider providing information on complaints that were submitted through the formal complaints mechanism but which have not been deemed admissible.
- 20. Further strengthen the legitimacy of the informal complaints mechanism by developing more robust protocols in consultation with affected stakeholders (or their representatives) and increasing the predictability and transparency of the mechanism.** For example, establish clear timelines for action and follow-up by the SER in the protocols of the mechanism. Clarify the role of the SER in determining if a case is credible, including the role of the SER to investigate and validate company responses to claims. Provide clarity on how cases are to be handled once the complainant has been connected to the relevant company (e.g. whether there is an option of mediation, discussion, etc.).
- 21. Incorporate stronger procedures to protect against reprisal into the formal and informal complaints mechanisms.** In the formal mechanism, reprisals are addressed primarily in the context of ensuring protection of third parties that may be invoked to provide information but not of those that have raised the complaint.³³ In the informal mechanism, for example, develop clear procedures on handling data on the complainant or ensuring that information is not forwarded on to parties (e.g. the employers of complainants) that could put the complainant in a situation of risk.
- 22. Address the perception of a lack of neutrality of the SER in handling cases of the informal complaints mechanism.** For example, the AGT could further consider the position of the SER as the contact point for cases or strengthen the protocols and transparency on handling cases so as to address perceived conflicts.
- 23. Integrate a framework for what constitutes effective remedy into the review process,** including that it should be consistent with national laws and international guidelines and

standards, where available, and that the company should engage with the affected stakeholder in the determination of the remedy.

24. Continue to strengthen the process for reviewing company grievance mechanisms by:

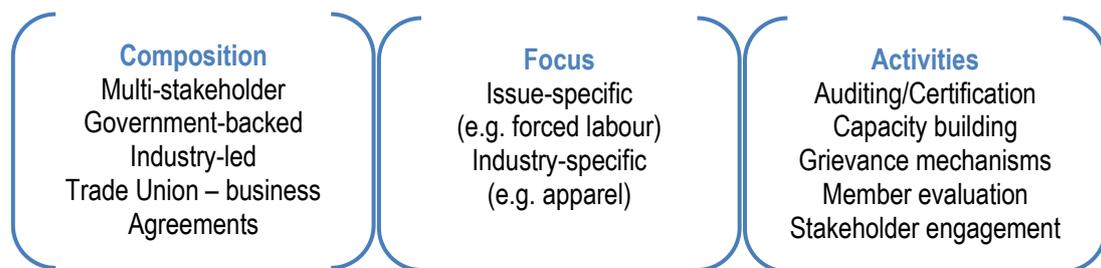
- Evaluating each of the effectiveness criteria of grievance mechanisms individually (i.e. rather than grouping them together in one question). This may initially be more appropriate in the review process of companies that are more advanced in RBC due diligence.
- Focusing the evaluation of companies on aspects that can be assessed through a document review and company interviews (e.g. reviewing the efforts that the company takes to evaluate and improve upon the effectiveness of grievance mechanisms) *or* change the methodology of the company review to include interviews with the parties involved in the company's complaints mechanism.

Annex A. About OECD Alignment Assessments

Context

Industry programmes and multi-stakeholder initiatives play an important role in helping companies to undertake due diligence for responsible global value chains. The landscape of such programmes across sectors is both vast and diverse in terms of its composition, focus and core activities (see the figure below).

Diversity of due diligence initiatives



Companies may rely on industry or multi-stakeholder initiatives in order to pool knowledge about supply chains including risks germane to the sector, increase leverage or scale effective measures. Cost sharing and savings are also often a benefit to sector collaboration and can be particularly useful for small and medium-sized enterprises (SMEs). Multi-stakeholder and industry initiatives are also increasingly playing a role in evaluating and benchmarking the due diligence activities of signatory companies. **Within this context, multi-stakeholder and industry initiatives can be important multipliers for due diligence.**

While such initiatives can be a multiplier for due diligence uptake, they can also contribute to the outsourcing of company responsibility and the continuance of check-the-box approaches when they are not aligned with international standards of due diligence, such as the OECD's sector or general due diligence guidance. Furthermore, a lack of harmonisation across initiatives has resulted in multiple and at times conflicting requirements on companies. Supporting the alignment of such initiatives with the OECD due diligence guidance, therefore, will improve the quality, effectiveness and impact of companies' due diligence efforts. This will create a positive feedback loop to enhance the credibility and trust placed in initiatives, foster a better understanding of how companies and governments can rely on initiatives, and enable mutual recognition between initiatives where appropriate. This is particularly important as governments also often rely on certification, for example as proxies for evaluating company responsibility. This may fall within the context of public procurement, government-backed certification, disclosure on due diligence legislation or free trade agreements.

Objective & process

The objective of OECD Alignment Assessments is to evaluate the alignment of an industry or multi-stakeholder programme (a programme) with the recommendations of the corresponding OECD due diligence guidance. Specifically, Alignment Assessments seek to determine:

- whether key overarching due diligence principles have been incorporated into the procedures and implementation of a programme
- whether a programme's requirements for companies and the activities it undertakes itself are aligned with the specific recommendations of the OECD due diligence framework.

This is achieved by analysing a programme's standards and implementation against detailed "core criteria" of due diligence included in an OECD Alignment Assessment Tool (AAT). Each core criterion is linked to discrete recommendations within corresponding due diligence guidance. Programmes are evaluated as being 1 (not aligned) to 4 (aligned) against each due diligence criterion, contributing towards an overarching alignment score.

In addition to the categories of alignment (overarching due diligence principles and the due diligence framework), Alignment Assessments may also evaluate collaboration within a programme and the programme's governance. These aspects, however, do not inform the judgement on the alignment of the programme.

Alignment Assessments follow a five-step process that starts with a detailed scoping of the programme against OECD due diligence processes. Desktop review, interviews and shadow assessments then form the basis of data collection and analysis. Based on its review, the OECD Secretariat develops a findings report, which is shared with the programme and an informal advisory group, which includes stakeholders from governments, the initiatives and civil society prior to publication. Fact checking and discussions with the programmes that are being assessed provide an extra layer of quality control as well as a forum for discussions on the findings.

Alignment Assessment work to date

In 2016, the OECD developed and piloted the Alignment Assessment process in the minerals sector and in 2018 in the garment and footwear sector. This included the publication of two separate sector-specific Alignment Assessment tools and an assessment methodology. A pilot against five major industry programmes³⁴ was completed in 2018 related to the minerals sector. The OECD Alignment Assessment methodology has since been enshrined into EU law through the EU Delegated Act on the recognition of industry schemes, part of the EU Regulation on Responsible Mineral Supply Chains (Regulation (EU) 2017/821). In 2019, the OECD Secretariat published the findings of an initial pilot Alignment Assessment in the garment and footwear sector.³⁵ The assessment of the AGT is the third pilot Alignment Assessment of industry and multi-stakeholder programmes for the garment and footwear sector.

Annex B. Methodological Considerations

Methodological considerations

The considerations for evaluating criteria are established in the Methodology for the Alignment Assessment Process and are copied below. This table likewise includes specific considerations from the evaluation of the AGT. The evaluation of each individual criterion does require judgement on the part of the OECD Secretariat.

Written standards: Evaluating criteria from 1-4

Score	1 <i>Not Aligned</i>	2 <i>Limited Alignment</i>	3 <i>Partially Aligned</i>	4 <i>Aligned</i>	<i>Indeterminate</i>
General considerations	The criterion (and its relevant components) is not addressed in the programme's policies, standards, procedures or other formal documentation.	The full breadth of the criterion is largely not covered or embedded concepts/definitions are generally not aligned.	The full scope of the criterion is mostly covered or the full scope of the criterion is accounted for but embedded concepts/definitions are not fully aligned.	The criterion is fully and explicitly addressed in the programme's policies, standards, procedures or other formal documentation.	Not applicable

Implementation: Evaluating criteria from 1-4

Score	1 <i>Not Aligned</i>	2 <i>Limited Alignment</i>	3 <i>Partially Aligned</i>	4 <i>Aligned</i>	<i>Indeterminate</i>
Ratings for implementation	There is sufficient evidence, based upon the assessment activities undertaken, to make a reasonable conclusion that the criterion is not being evaluated or implemented by the programme.	The criterion or its components is only partially implemented or evaluated by the programme; and/or the criterion is addressed but informally or inconsistently. The evaluator uses judgement to determine whether a criterion is closer to full alignment or non-alignment.		There is sufficient evidence, based on the assessment activities undertaken, to make a reasonable conclusion that the criterion, including all relevant components, is fully implemented or evaluated by the programme.	There is insufficient data to make a judgement yet.

The following decisions were made in relation to the evaluation of alignment of specific steps and supporting factors:

- In relation to Step 5, during this Alignment Assessment, the OECD Secretariat only had visibility over how the SER reviewed one company's public reporting. The following strengths and opportunities therefore relate to the review process of one company. In order to gauge the extent to which the below findings were potentially relevant beyond one company, the OECD Secretariat also carried out a review of ten public reports by AGT signatory companies on a random basis. While the analysis of these reports did not form the basis of alignment scores, they did provide supporting evidence that the below opportunities are relevant beyond the shadow assessment in which the OECD participated.

- In relation to Step 6, at the time of the OECD's review of the formal complaints and disputes mechanism from January 2019 to May 2019, no cases had been submitted by individuals or groups pertaining to a company's activities.³⁶ In recognition of this fact, the OECD only carried out a review of the Rules of Procedure (RoP) of the mechanism (i.e. its written standards) and did not conduct an assessment of its implementation. The OECD Secretariat has provided informal feedback to the AGT on elements of the complaints and disputes mechanism that may be resulting in cases not being raised with the AGT directly, but this did not fall within the scope of this assessment.
- In relation to governance, Criteria 145, "The initiative has established a functioning and accessible grievance mechanism that enables stakeholders to raise concerns relating to the initiative itself" and 146, "The initiative has an effective process for communicating details of actual or potential adverse impacts to participating enterprises in a timely manner in order to support enterprises in performing their own supply chain due diligence activities" were considered to be out of scope because they are not yet fully applicable to the activities of the AGT. If the AGT expands its engagement in key producing markets or with affected stakeholders, these criteria will become important.
- In relation to recognition, during the pilot Alignment Assessment of the German Partnership for Sustainable Textiles published in February 2019, the OECD developed four additional criteria pertaining to the recognition of existing standards and initiatives. These additional criteria were subsequently integrated into the assessment of the AGT. The scope of this review included the criteria and process of establishing recognition under the AGT, including cross-checking a selection of recognised standards holders against the requirements of the AGT. The OECD did not carry out individual alignment assessments of the standards holders recognised by the AGT. Finally, the OECD Secretariat has not established guidance on the extent assessments that should be carried out on recognised standards holders.

Changes made during the pilot

The following changes were made to the criteria within the Alignment Assessment Tool during the evaluation:

1. Integrating gender into the due diligence process was added as an overarching criterion.
2. Criteria 121–126 (related to the effectiveness criteria of grievance mechanisms) were previously grouped together in one criterion but have been made discrete criteria (one per effectiveness criterion).
3. The OECD added four criteria on recognition of industry standards.

End notes

¹ The term “programme” is used to represent all initiatives, projects or organisations that hold standards on or carry out activities related to RBC due diligence.

² The Alignment Assessment Tool is provided to the AGT in a separate document (Annex 1).

³ ‘Encouraged to’ criteria are rated using the same scores as the core criteria but are only accounted for in the assessment results when the score is positive (aligned or partially aligned) as they are considered not essential but initiatives get credit for going beyond the core criteria.

⁴ Referred to as international corporate social responsibility in the agreements themselves.

⁵ The government-backed multi-stakeholder initiative, the AGT, adapts easily and quickly. Conversely, the Agreement itself is a static document that will be reviewed after five years.

⁶ Agreement on Sustainable Garment and Textile, p.4.

⁷ UN Guiding Principle 31, establishing the effectiveness criteria that non-judicial grievance mechanisms should meet.

⁸ Dutch Agreement on Sustainable Garment and Textile: Section 1.3. Complaints and Disputes, see footnote 13 to the Agreement for definitions of dispute and complaint.

⁹ The Dutch Agreement on Sustainable Garment and Textile can be accessed at: <https://www.imvoconvenanten.nl/-/media/ser/downloads/engels/2016/agreement-sustainable-garment-textile.pdf?la=en&hash=249F7F84DABE76107C4927DE23A342B7>

¹⁰ The AGT Assessment Framework can be accessed online: <https://www.imvoconvenanten.nl/-/media/imvo/files/kleding/assessment-framework-agt.pdf?la=en&hash=91063B51F3AD2AB9324ADFECB3208A82>

¹¹ At the time of the OECD interviews in February 2019, the AGT had five account managers. The OECD Secretariat carried out interviews with all five account managers. The AGT employed additional account managers during the period of the assessment. While the OECD Secretariat did not carry out interviews with the new account managers, the OECD Secretariat did engage in discussions with them in preparation for the shadow assessments.

¹² Agreement on Sustainable Garment and Textile, p.4.

¹³ These include: “Enterprises are encouraged to suspend orders (even in the context of State-sponsored forced labour) if forced labour has been identified until action has been taken to prevent forced labour.” (Module 3, Forced Labour); “When immediate and critical danger has been identified, the enterprise should ensure that production for them does not take place at the affected production site until the immediate and critical danger has been adequately addressed.” (Module 5, Occupational Health and Safety); “If the supplier continues to not comply with limits or usage bans for hazardous chemicals on the MRSL, the enterprise should suspend orders or disengage until the supplier has stopped using those chemicals.” (Module 8, Hazardous chemicals); “In cases in which the enterprise cannot source from water-stressed areas responsibly, it should direct its sourcing to regions that are not water-stressed.” (Module 9, Water).

¹⁴ The I-Function for question 1.1.3 notes that “...you can exclude matters in your IMVO policy, such as ... home workers”. The OECD due diligence guidance would not support the exclusion of home workers as this often just moves the use of homeworking “underground”.

¹⁵ AGT Mid-term report

¹⁶ The OECD Due Diligence Guidance for Responsible Business Conduct states “Carry out a broad scoping exercise to identify all areas of the business, across its operations and relationships, including in its supply chains, where RBC risks are most likely to be present and most significant”. (Section 2.1)

¹⁷ The OECD Due Diligence Guidance for Responsible Business Conduct states “Starting with the significant areas of risk identified above, carry out iterative and increasingly in-depth assessments of prioritised operations, suppliers and other business relationships in order to identify and assess specific actual and potential adverse RBC impacts”. (Section 2.1)

¹⁸ For example, the I-function for question 1.4 notes that “ways to tackle” poor audit quality include “following training on reading and following up audit reports”; “Mark which audit reports are well and clearly written and indicate this auditor and/or audit company as a preference for new audits”; Contact audit companies (stated on the audit report as a certifying body) to ask for an explanation of the approach and the difference between the audit report and general risks from reports from NGOs, for example.”

¹⁹ Better Buying is an organisation that provides a system for suppliers to communicate with their buyers about their purchasing practices across a range of practices. <https://betterbuying.org/>

²⁰ When responsible disengagement strategies were not then discussed with the company, the OECD Secretariat asked the account manager if the SER evaluates responsible disengagement. The account manager noted that in cases in which a company disengages for reasons of continued non-compliance, responsible disengagement is discussed, however, it is not considered in cases in which disengagement is conducted for strategic reasons.

²¹ The Agreement on Sustainable Garment and Textile states “...By Year 3 at the latest, participating enterprises will also be communicating individually with the public”. (p. 9).

²² Dutch Agreement on Sustainable Garment and Textile: Section 1.3. Complaints and Disputes, see footnote 13 to the Agreement for definitions of dispute and complaint.

²³ UN Guiding Principle 31, establishing the effectiveness criteria that non-judicial grievance mechanisms should meet.

²⁴ During the period of the OECD assessment, complaints had been raised with the formal complaints and disputes mechanism in relation to disagreements between signatory companies and the SER. The processes of hearing and addressing these complaints did not fall within the scope of this assessment, as it relates to the internal governance of the AGT and not to Step 6 on access to remedy.

²⁵ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Article 23 (1).

²⁶ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Article 28.

²⁷ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Articles 11 and 16.

²⁸ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Article 26 (2) and (3).

²⁹ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Article 34 (4) and (5).

³⁰ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Article 23 (3).

³¹ The AGT Secretariat has indicated that a process is in place to engage with stakeholders to develop and finalise the procedures around the informal complaints mechanism.

³² As a point of reference, see the OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct and the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance.

³³ Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement on Sustainable Garment and Textile (1 January 2018), Article 23 (3).

³⁴ OECD (2018) Minerals Alignment Assessment report of five industry programmes: <https://mneguidelines.oecd.org/Alignment-assessment-of-industry-programmes-with-the-OECD-minerals-guidance.pdf>

³⁵ OECD (2019), The alignment of industry and multi-stakeholder programmes with the OECD Garment and Footwear Guidance: Assessment of the Sustainable Apparel Coalition, <http://mneguidelines.oecd.org/alignment-assessment-garment-footwear-sac.htm>

³⁶ During the period of the OECD assessment, complaints had been raised with the formal complaints and disputes mechanism in relation to disagreements between signatory companies and the SER. The processes of hearing and addressing these complaints did not fall within the scope of this assessment, as it relates to the internal governance of the AGT and not to Step 6 on access to remedy.

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