![Partnership for Sustainable Textiles logo]

The Review Process 2020

Overall strategy
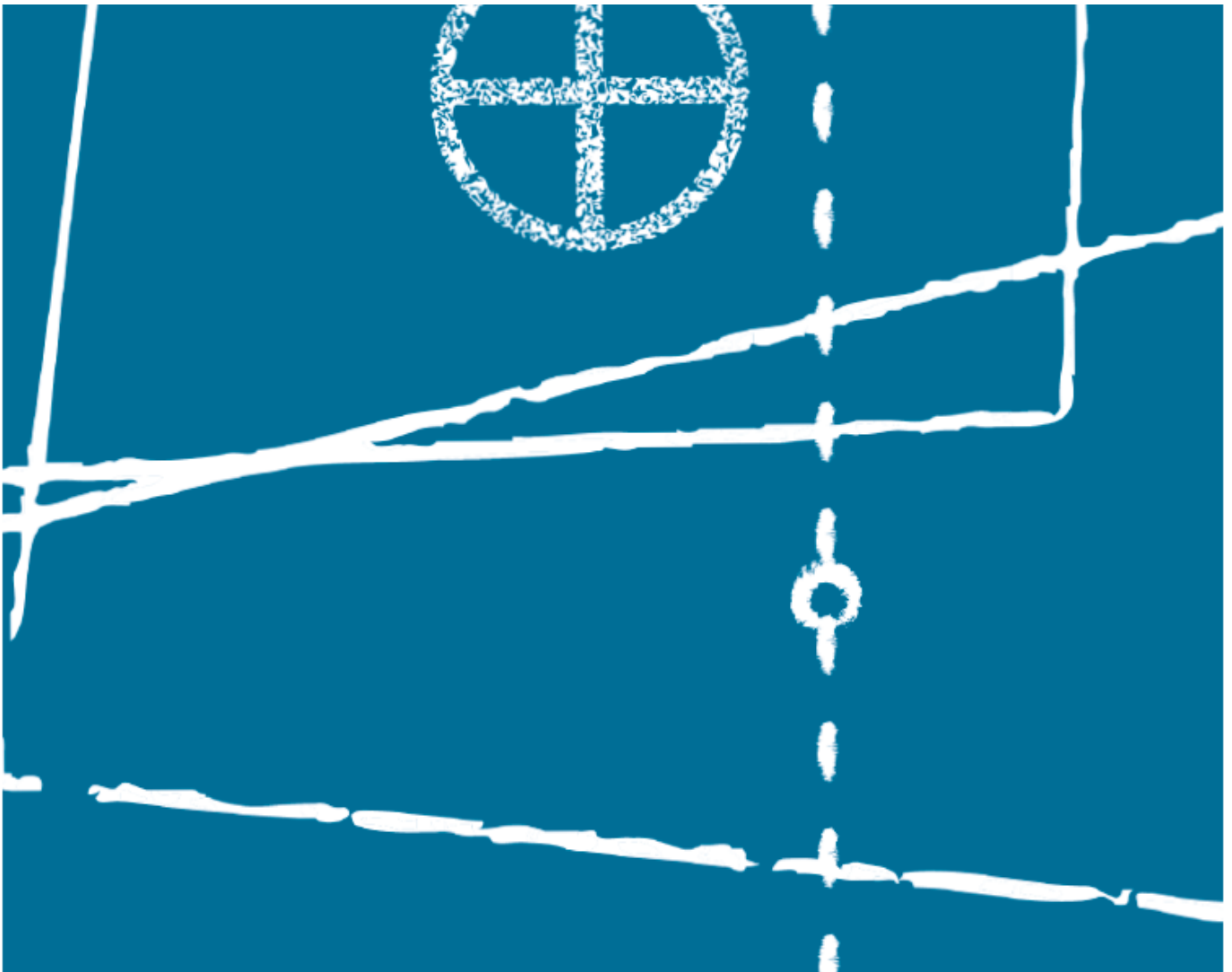
Contents

Summary of the strategy

The strategy described in this document comprises the major changes in the Review Process starting in 2020 that are based on the recommendations of the OECD Alignment Assessment, observations in a study undertaken by the Öko-Institut and on lessons learned by Partnership members and the Secretariat. The guiding framework of the new Review Process is the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

- The **goal** of the new Review Process is to effectively prevent and mitigate the key social, ecological and compliance risks in the supply chains and, in turn, individually pursue the Partnership goals.

- **Sections of the report** on the Review Process:

  a) General company information (including fibres)

  b) Outcomes of the risk analysis and Prioritization of the risks

  c) Progress report on the previous phase

  d) Targets and measures for the next phase

  e) Grievance mechanisms

- In the **risk analysis**, each company reviews whether and how the 11 defined sector risks occur or could occur in its own supply chain.

- The identified risks are **prioritized** while taking their severity and likelihood of occurrence into account.

- For each sector risk in which the member has identified individual risks, (at least) one **individual target and relevant measures** must be specified. In this way, members will make a logically defined contribution to achieving the Partnership goals.

- **Topics for which targets must be set:** All members must set targets for the following sector risks: 'Living wages', 'Use of chemicals/wastewater' and 'Corruption'. The percentage increase target for cotton and the target of promoting access to effective remedies and grievance mechanisms are mandatory targets.

- The achievement of the targets set in the previous roadmap is described in the **progress report.** If a target is not achieved, this must be explained.

- The **random check principle** is used to verify target achievement.

- In the course of the **in-person assessment meeting**, all sections of the report are evaluated and reviewed for quality and compliance with the due diligence requirements. The members are advised on the practical implementation of the due diligence requirements.

- The in-person assessment meeting is conducted by a tandem comprising the Partnership Secretariat and external service-providers. The service-providers are nominated by the Steering Committee and are under obligation to maintain **confidentiality,** as is the Partnership Secretariat.

- Reporting takes place **every two year**s between 1 April and 31 May of the given year. In 2020, reporting will start on 15 June 2020.

- The **publication** of the reports after the in-person assessment meeting and any revisions is undertaken by a date set by the Steering Committee.

- The overview below shows which parts of the report are public and what information must be provided exclusively for internal documentation as the basis for the in-person assessment meeting:

Report section	Public information	Internal information (publication optional)
a) General company information and information on the value chain/supply chain management (including fibres)	- Number of employees - Product categories - Description of how sustainability is mainstreamed in the company - List of the TOP 5 procurement countries (in order of procurement volume) - Certification and memberships - Link to published list of suppliers (if not available: 'N/A') - Producers only: Description of own production and/or of the business portfolio - Fibres used, including distribution in percentage (estimated value)	- Turnover (textiles and clothing) - Number of suppliers (tier 1) - Volume purchased per TOP 5 country - Share of certified products in the overall product range (percentage) - Absolute quantities of fibres - Quantities of certified/recycled fibres - Description of the procurement model and mainstreaming of sustainability in purchasing
b) Results of the risk analysis and Prioritization of the risks	- Methodology of the risk analysis - Description of the risk, without disclosing sensitive data (initial situation) - Justification for not setting a target (no risk, or mitigation measures are already being implemented)	- Description of the risk with all essential information, including sensitive data as appropriate - Indication as to which countries/supply chain levels/suppliers/materials the individual targets and measures should focus on (prioritization) - If limited influence is reported: Information on the efforts undertaken to increase own influence through cooperation
c) Progress report on the previous phase	Progress report (comply or explain)	
d) Targets and measures for the next phase	Roadmap: Individual targets and measures (risk-based and mandatory targets)	
e) Grievance mechanisms	- Description of the complaints channels along the supply chain - Aggregated number of complaints received among the Textile Partnership members	- Number of complaints received (publication aggregated) - Assignment of the aggregated complaints to the 11 sector risks (Publication aggregated)

	• Assignment of the aggregated complaints to the 11 sector risks	• Explanation of how complaints were dealt with • Explanation of which local stakeholders and external experts were included

1. Goals and major changes

The Review Process serves as the framework for the ongoing development of the Partnership for Sustainable Textiles. It documents the contribution and progress of the individual members in pursuing the joint goal of improving social, ecological and economic sustainability along the entire textile supply chain. It protects the Partnership and its members from freeloaders and offers a structure for performing due diligence and reporting on it. In so doing, the Partnership enables its members to effectively meet the growing (also regulatory) requirements for corporate sustainability and responsibility.[1] The transparency requirements embedded in the Review Process help communicate engagement and progress outside the Partnership and enhance its credibility.

After three years of implementing the Review Process, it is now about to undergo major revision that is to include recommendations from the OECD Alignment Assessment, observations in a study undertaken by the Öko-Institut and lessons learned by Partnership members and the Secretariat. During revision, particular account should be taken of the following **requirements**:

- Stronger focus on working on Partnership topics/sector risks by explicitly implementing a risk-based due diligence approach

- Reducing effort, which is often perceived to be 'unproductive', e.g. for members who report in other initiatives, and in keeping of documentary evidence

- Professional support and assistance for members with determining ambitious targets and measures

- Greater acknowledgement of the engagement in other initiatives, particularly when they also pursue the OECD due diligence approach

- Tailoring reporting to stakeholder groups

The revision is intended to help the Partnership goals to be pursued more effectively and efficiently. It will also mean that the focus of the efforts undertaken by Partnership members will shift from reporting to fulfilling targets and implementing measures.

The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector is the guiding framework for the new Review Process. Accordingly, specific targets and measures will be defined primarily on the basis of the individual risk analysis and prioritization. **The goal of the new Review Process is to prevent or mitigate the key social, ecological and compliance risks consistent with risk-based due diligence logic.** In the event of actual impacts, appropriate remedies and reparations must be provided. This means that Partnership members can meet the core requirements of their due diligence obligations by successfully participating in the Review Process.

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[1]E.g. National Action Plan for Business and Human Rights, UN Guiding Principles on Business and Human Rights

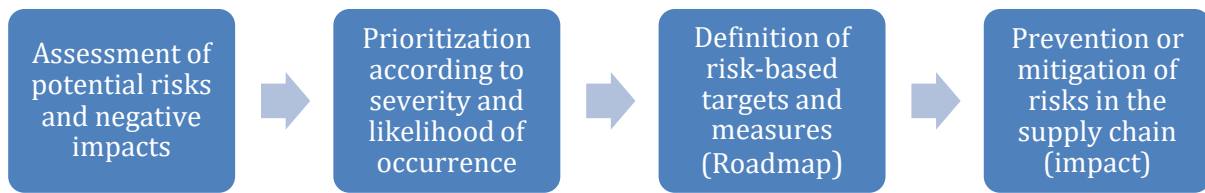| Assessment of potential risks and negative impacts | → | Prioritization according to severity and likelihood of occurrence | → | Definition of risk-based targets and measures (Roadmap) | → | Prevention or mitigation of risks in the supply chain (impact) |

Figure 1: Due diligence logic of the Review Process

Due to the strategic reorientation the reporting format will change as well. In future, information will be verified and checked for plausibility only on the basis of random checks and documents. An in-person assessment meeting with an external service-provider and the Partnership Secretariat is the crucial feature. The aim is to reduce the documentation required of members and provide them with advisory support for drawing up targets and implementing requirements. Members will thus have the resources for substantive work and for implementing more ambitious goals.Efforts undertaken by members in the context of memberships in other initiatives or via standards that are equivalent to the requirements of the Review Process are recognised by the Textile Partnership. An overview of the areas in which the standards and initiatives are assessed as equivalent will be made available to the members. Additionally, joint scheduling of the in-person assessment meetings with other initiatives will be sought wherever this is expedient in terms of content and is organisationally feasible.

2. Structure/elements

The new Review Process follows the structure presented in Figure 2. The Review Process is completed by the members every two years. The reporting process takes place every two years between 1 April and 31 May of the given year.[2] During this period, the Partnership's IT system is opened and the data can be entered. In justified exceptional cases, the reporting phase may be extended by one month.
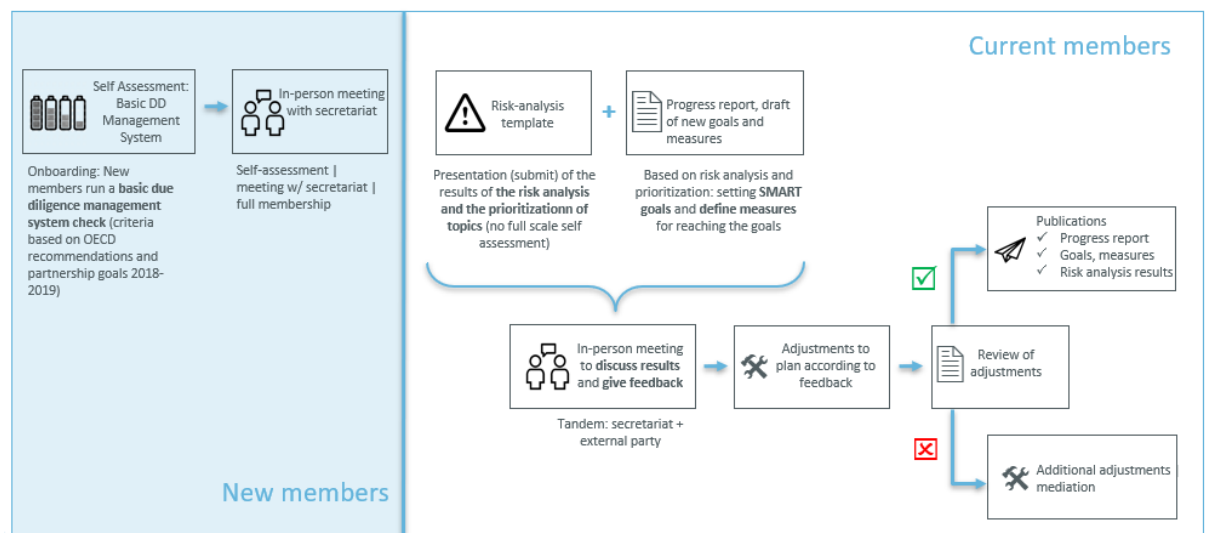

Figure 2: Overview of the new Review-Process

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[2]Owing to the short time between the resolution and the start of the reporting process, in 2020, reporting will take place between 15 June and 15 August.

2.1. Prior to reporting

All companies in the Partnership are expected to identify their social, ecological and compliance risks and actual negative impacts on an ongoing basis. Conducting a risk analysis and risk Prioritization by the member is therefore necessary for successful completion of the Review Process. Even if the actual reporting does not start until April, it is advisable to initiate preparations early on.

2.1.1. Conducting the risk analysis

Being aware of the potential risks of a company's own corporate activities for people and the environment and of the actual negative impacts is the first step and a requirement for meeting due diligence obligations.

The **scope** of the Partnership encompasses social, ecological and compliance risks in the entire value chain, as well as in the company's own place of business (e.g. warehouses, own stores). So far, the Partnership's focus has been on the upstream supply chain while the downstream supply chain, including use and recycling phases, has been largely disregarded. In future, companies can focus more strongly on their business model and individual risk profile, whereby the **chain as a whole** should be considered.

Practical tip:
Members can find support for conducting their risk analysis and Prioritization in the *Identifying social and environmental risks guide. (Please note: the guide is currently being updated)*

The Partnership has agreed to a uniform structure for describing the tiers of the upstream supply chain:

Supply chain tier	Process steps
Importers and agents (no self-production)	Trade business partners
Tier 1: Final product manufacturing (manufacturing of the end product)	Manufacturing (business partners or producers)
Tier 2: Production of materials (manufacturing of the finished material)	Wet processes (finishing); fabric production
Tier 3: Raw materials processing	Yarn production (incl. synthetic fibres), spinning mills, ginning operations/cotton ginning company, wool scouring/wool-carding shop
Tier 4: Agriculture and cultivation	Cotton traders/fibre traders; cooperatives/farmers' societies; farmers/farms; forestry

In terms of content/thematically, the risk analysis must encompass all 11 sector risks[3] defined by the Partnership. Each company must check, in its individual risk analysis, whether and how the listed sector risks occur (actual negative impacts) or could occur (potential risks) in its own value chain.

The company's own business and purchasing model also influences individual risks and should be considered accordingly. Product-specific characteristics, such as those related to needed chemicals, must likewise be taken into account.

Here, especially **fibres** used play an important role, since the nature of the risks varies according to the type of fibre. In the Partnership, the question of fibre quantities is also important for internal documentation, because each member is required to gradually increase the percentage of sustainable cotton. To keep efforts required for the review to a minimum, it is advisable to conduct the analysis of fibre-specific risks already with a view to the data items that are later asked in the IT tool (see 2.2.2). The members must be able to provide information on the total quantity of each fibre used, on relative shares or on the quantities of cotton fibre certified as (1) organic, (2) recycled or (3) otherwise sustainably certified. The information on cotton is obligatory. For other types of fibre, it is recommended.

The Partnership's 11 sector risks

1. Freedom of association & collective bargaining
2. Discrimination, sexual harassment and gender-based violence
3. Health & safety
4. Salaries and social security benefits
5. Working hours
6. Child and forced labour
7. Corruption
8. Use of chemicals, wastewater
9. Environmental protection, use of resources
10. Greenhouse gas emissions
11. Animal welfare (including sheep-breeding, mulesing)

For companies that offer not only textiles (especially supermarkets and discounters), the individual risk analysis must address the textile supply chain explicitly but not exclusively. Each member must be able to show the extent to which the 11 sector risks occur in its textile supply chain and how they are prioritized.

2.1.2. Prioritizing risks

Based on the results of the risk analysis, all member companies prioritize the individually identified risks for each sector risk. In so doing, the **severity** ('How bad would it be for those concerned if the risk occurs?') and the **likelihood of occurrence** ('How likely is it that the risk will be an issue in my supply chain or for my supplier') must be taken into account. According to the OECD, the severity of a risk is defined based on (1) scope ('How many people are affected?'); (2) scale ('How grave are the adverse impacts for people and the environment?'); and (3) the irremediable character ('Can the harm be undone?).

Risk Prioritization is the basis for defining specific targets and measures that are then defined and published in the roadmap (see 2.2.4). During preparation, it should be noted that the Partnership has defined a structure for documenting risks that have been identified and prioritized within the framework of internal reporting (see 2.2.3).

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[3] The sector risks are derived from the previous 'Partnership topics' and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

2.2. Reporting in the Partnership (internal documentation)

Reporting takes place within the defined time period (1 April to 31 May[4]) via a Partnerships own IT platform. The high standards applied to **data security** are maintained in the new system. The requirements for **confidentiality** must be adjusted to accommodate the in-person assessment meetings.[5]

Sections of the report on the Review Process:

a) General company information (including fibres)
b) Results of the risk analysis and Prioritization of the risks
c) Progress report on the previous phase
d) Targets and measures for the next phase
e) Grievance mechanisms

The information provided by members is used for preparing and conducting the in-person assessment meetings and for external reporting (publication). In principle, all information stated by the member is part of its public report. Valid exceptions are listed in the overview table on page 4 of this document:

2.2.1. General Information

In the first section of the report, the members provide information about their organisation, the business model and the supply chain structure (formerly referred to as 'master data'). This information helps the evaluation team take the actual circumstances of the individual company into account during the qualitative evaluation. At the same time, it provides important background information for the public. The data items are also used in aggregated form for statistical evaluation.

The following data items are requested and published. Information that may be optionally made public is printed in **boldface**:

General company data

- Number of employees

- **Turnover related to textiles and clothing**

- Product categories

- Description of process of mainstreaming sustainability in the company (e.g. existing responsibilities, responsibility with the company, units involved) – max. 300 words

- Certifications and memberships; **information on distribution in percentage of the product range**

- For producers: Description of own production/portfolio – max. 300 words

- Other information

Information on the value chain and on supply chain management

- **Number of suppliers (tier 1)**

- List of the TOP 5 production countries, arranged by volume purchased

- **Volume purchased per TOP 5 country in per cent**

- Link to published list of suppliers, if available, otherwise, 'N/A'

- Fibres used (percentage of total volume – see 2.2.2), estimated value

Information on procurement model (possible elements of the description)

Description of the procurement model and mainstreaming of sustainability in purchasing (e.g. direct/indirect procurement, number and locations of own procurement agencies (if such exist); differences for different product categories; procedure and specifications for selecting suppliers and placing orders; average length of business relationships; average utilisation of supplier capacities) – max. 500 words

The numerical values are each related to the business or calendar year. Each member uses the latest data available to the member.

2.2.2. Information on material

Each company that produces or trades in new goods must provide information on the fibres used. To this end, it is mandatory to provide at least the quantities of cotton. For calculation purposes, the specifications already adopted by the Partnership apply. The information is used to review the progress of individual members related to the mandatory target on the increase of sustainable cotton (see 2.2.4) and the achievement of the partnership goal for cotton.

Material/Fibres	Quantities (absolute in t)	Relative share of total fibre quantity In %, estimated value permissible)	Quantity of bio-certified (absolute in t) Relative calculation automatic	Quantity of otherwise sustainably certified (absolute in t, according to standard) Relative calculation automatic	Quantity recycled (absolute in t) Relative calculation automatic
Cotton	*Mandatory*	*Mandatory*	*Mandatory*	*Mandatory*	*Mandatory*
New wool					
Viscose					
Modal					
Polyester					
…					

2.2.3. Results of risk analysis and prioritization

In the second section of the internal report the members describe how they have conducted their risk analysis and the severe social, ecological and compliance risks and adverse impacts they have identified and prioritized.

First, each company describes the **methodology** of its risk analysis along the defined questions. This will appear in the external report (see 2.5).

A standardised template is used to compile the results of the analysis (see table below). The member companies describe the scope and location (country/region, supply chain tier, product group, material or supplier) of the risks they face and indicate where adverse impacts have already occurred.

The content specified in the template helps in orienting the company's sustainability management strategy and as the basis for defining targets. All the details provided are used as a source of information for the in-person assessment meeting.

The **description of the risk** is automatically transferred to the **public report**. The member may make some modifications for the public version if the information is sensitive and/or comprises data relevant for competition that it may not (yet) communicate publicly. In the course of the evaluation meeting, it is ensured that the internal and external risk description is basically the same and the targets and measures of the roadmap can still be derived from the content (see 2.3).

The declaration as to whether a sector risk is or is not counteracted with a target is also published, along with the **justification ('explain')** if no target was set (see 2.2.4).

In addition to the risk analysis, each company describes its status with regard to **complaints and remedies** and provides answers to the following questions:

1. What are the channels available to concerned parties in your supply chain to communicate complaints? How is access to effective grievance mechanisms currently promoted in your own supply chain? (This can comprise both local and external ('back-up') grievance mechanisms.)

2. How many complaints were received by the organisation in the past reporting period? Please note: Complaints may be brought to the attention of your company via formal mechanisms and via informal channels such as NGOs or trade unions.

3. Which sector risks did these complaints relate to? (selection of the 11 Partnership topics/sector risks)

4. How were the complaints handled?

5. How are external stakeholders, in particular also concerned parties, involved in developing, communicating and evaluating processes for complaints and remedies?

The first question is part of the public report. Publishing questions 2 to 5 is at the discretion of the member. The number of complaints received and their assignment to sector risks are aggregated for the entire Partnership without being traced back to individual companies.

Sector risk	Description of the risk in the company's own supply chain (internal)	Description of starting situation (external)	Selection for setting target (internal)	Prioritization of the most severe risks (internal)	Roadmap: Targets and measures (external)
Wages and social security benefits, living wages	*Where does the risk occur in your supply chain?* *Where are mitigation measures already taking effect?* Description may be provided for each procurement country/region, supplier, supply chain tier or material with a focus on the key risks/risk factors.	The information is automatically taken from 'Description of the risk'. The member may make some modifications if the information comprises sensitive data that that it does not (yet) wish to communicate publicly.	✓ *Yes, we are setting a target/targets for this topic.*	*When setting the target, which countries/supply chain tiers/suppliers/materials do you want to focus on in order to prevent or mitigate possible negative impacts?* Please justify this based on your Prioritization (estimate of the severity and likelihood of occurrence).	*Target 1:* *Measures:* - … *Target 2:* *Measures:* - … - …
			❖ *No, we are not setting a target/targets for this topic.*	You are not required to set targets for this sector risk if a) the risk does not occur in your own supply chain; b) you already have effective processes and actions for preventing or mitigating these risks.	*Justification (public)*
Use of chemicals, wastewater					
…					

2.2.4. Definition of targets and measures

Next, members indicate whether a target has been set or not for each sector risk. Targets and measures should aim to prevent and mitigate risks and/or in the event of negative impacts, remedy the situation and, where appropriate, provide compensation. To achieve this, a member must prioritize which countries/supply chain tiers/suppliers/ or materials it will focus on for each sector risk. The selection is determined by the likelihood of occurrence and severity of the risk. The severity of a risk is determined based on an assessment of the scale ('how serious?'), scope ('how many people?) and the irremediable character it would have if the circumstances identified as a risk were to actually occur. Consequently, targets are set where they would minimise the greatest risks to people and the environment and in turn, automatically also contribute to mitigating corporate (reputational) risks. The number of targets is therefore not defined, but rather is derived individually from the results of the risk analysis. It is also possible to define further targets that are independent of the risks (e.g. on sustainability innovations).

The Partnership goals describing the Partnership's overall expectations for each sector risk serve as guidance when defining individual targets. The Partnership goals provide the regulatory framework, so that the members' individual targets logically contribute to achieving the Partnership goals.

Partnership goals provide guidance for members with reference to the Partnership's expectations and the state they seek to achieve.

Individual targets aim to mitigate or minimise the identified risks and thus contribute to achieving the Partnership goals. Individual targets are formulated in line with SMART criteria and are documented with specific actions.

In principle, (at least) one target must be set where individual risks are determined if measures for prevention and/or mitigation are not already being implemented. This means that there are two justifications for not setting a target:

- **Outcome of the risk analysis** (e.g. 'The topic does not pose a particularly high risk in my supply chain')

- **Mitigation measures** already in place (e.g. 'Through our membership in the Bangladesh Accord we have already established measures on the topic of occupational and building safety in Bangladesh that minimise the likelihood of occurrence')

An exception to setting a target can also be made if the member can justify that it has **too little influence** on the supplier concerned and/or the local situation with respect to a certain sector risk (e.g. if a member utilises less than 5 per cent of the production capacities). However, the member company must then describe the efforts it has taken to increase its own influence through cooperation with other stakeholders (e.g. other purchasers in the factory, local organisations, additional initiatives).

The Partnership Secretariat evaluates these explanations, identifies interfaces (countries/suppliers/topics) and defines recommendations for joint commitment in the Partnership based on them.

Sector risk	Partnership goal[6]
Freedom of association & collective bargaining	Freedom of association and collective bargaining are supported in all businesses/at all business partners in the value chain
Discrimination, sexual harassment and gender-based violence	There is a zero tolerance policy (elimination) against all forms of discrimination, particularly sexual harassment and gender-based violence, in all businesses/at all business partners in the value chain
Health & safety	Fire protection and building safety, as well as the prevention of work-related accidents, are ensured in all businesses/at all business partners in the value chain
Salaries and social security benefits	Living wages are paid in all businesses/at all business partners in the value chain
Working hours	In all businesses/at all business partners in the value chain specified working hours are adhered to and excessive overtime is avoided.
Child and forced labour	There is a zero tolerance policy (elimination) against all forms of child and forced labour in all businesses/at all business partners in the value chain.
Corruption	There is a zero tolerance policy (elimination) against all forms of corruption, blackmail and bribery.
Use of chemicals and wastewater	No adverse impacts on people or the environment occur as a result of the use of chemicals in the value chain.
Environmental protection and use of resources	Further environmental damage in the value chain is prevented; the use of resources in the value chain is optimised
Greenhouse gas emissions	Greenhouse gas emissions are minimised in the entire value chain
Animal welfare (including sheep-breeding, mulesing	All practices that jeopardise the welfare of animals in the value chain are eliminated.

Mandatory targets: Independent of the individual risk assessment, all members are obliged to set at least one target related to the following sector risks:

1. Living wages

2. Use of chemicals, wastewater

3. Corruption

Furthermore, the companies must address two additional aspects and set targets for them:

4. Increase of sustainable cotton

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[6] For more detailed information on definitions and frameworks, the consolidation papers of the Partnership's three thematic areas remain valid.

5. Promotion of access to effective grievance mechanisms

Exceptions to addressing the above-mentioned topics are possible only if the member, referring to its business model, is able to justify why it is unable to work on a specified topic (e.g. no cotton fibres used → no percentage increase target for cotton).

Targets must be formulated in line with **SMART**[7] criteria and must aim to achieve clear results. For each target, measures are formulated that are to enable and promote the achievement of the goal.

If a company does not have sufficient capacities to counteract all identified risks immediately, it may define **time horizons** in the individual targets that extend beyond the two-year reporting period. In this case, a company first defines measures for the current reporting period that do not result in the target being fully achieved. Measures that lead to achievement of the target are then added in the following reporting phase. This option is intended to support companies in using their limited capacities and resources reasonably and enables them to pursue ambitious long-term targets. For the mandatory targets, objectives must be related with the two-year period.

2.2.5. Progress report

In addition to setting new targets, each company reports on its progress with regard to achieving the targets of the most recent roadmap. Whether a target was achieved or not must be stated in each individual case. If a target is not achieved, this must be explained. The existing guidelines apply for a sufficient explanation along with the continuation of the targets that have not been achieved. While the member is not required to furnish evidence for achieving the targets, the member must be able to provide evidence if any questions arise during the in-person assessment meeting (see 2.3).

For the **transition year 2020**, the following special features apply to progress reports:

- Progress report continues to be drawn up on all targets of the last roadmap, i.e. along the old structure.

- In the event that targets are not achieved, the member itself may decide whether the target will be continued in the new structure.

- The specifications of the 2019 guidelines on targets continue to apply to the content of the progress reports.

- Evidence must be provided only if requested by the evaluation team.

- The new IT tool is used for reporting.

2.3. In-person assessment meeting

In the future, verification and a quality check of the report will no longer be carried out in a purely document-based manner but also as part of a personal evaluation meeting, which is a **combination of an assessment** and a **consultation**. On the one hand, the member receives support with practical implementation of the due diligence requirements and with formulating

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[7] SMART targets are specific, measurable, achievable, realistic and time-bound

as ambitious a roadmap as possible that will deliver the best results. At the same time, the evaluation team will check whether the report meets the Partnership's qualitative requirements. The OECD Due Diligence Guidance provides the substantive framework. The in-person assessment meeting is prepared and conducted by an external service-provider and the Partnership Secretariat.

2.3.1. Nomination and assignment of the service-provider

Prior to the start of each reporting phase, the **Steering Committee nominates** a pool of six service-providers to conduct the evaluation meetings.

To prepare the nomination, the Partnership Secretariat surveys the prospective organisations as to their willingness and availability. For decision-making, the Steering Committee prepares a tabular overview that clearly demonstrates the suitability of the individuals that the service-providers have proposed to perform this task. To this end, the following criteria are used:

- Professional expertise in the area of due diligence (at least three relevant reference projects)
- Professional expertise in the textile sector (at least three relevant reference projects)
- Experience in sustainability consulting for companies (at least three reference projects)
- Experience in practice-oriented scientific work on environmental and social standards in the textile supply chain
- Experience in evaluation and appraisal procedures
- Knowledge of the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (self-disclosure)
- Fluency in German and English
- Professional background of the deployed personnel
- Daily rate (max. EUR 1200/day plus travel expenses)

Selection by lottery: After the list of approved service-providers has been drawn up, a lottery procedure is used to assign them to the members prior to the reporting phase. In so doing, equal distribution (number of members per service-provider) should be sought. Service-providers are obliged to report conflicts of interest with a member they have been assigned to. Such conflicts of interest must in particular be reported if there is a working relationship between a member and the service-provider or if there has been such a relationship over the last 12 months. For the reporting period in the Partnership, service-providers are also required to refuse other commissions from the members they are assisting. In the event of a conflict of interest lots are drawn again.

The member itself **commissions and pays** the assigned service-providers. The scope of the commission per member is estimated to be 2.5 days. Depending on the number of remarks and need for revision, up to four days may be quoted. The time incurred (2.5 to 4 days) is invoiced at a set daily rate allowance.

The German Institute for Human Rights (DIMR) will support the evaluation meetings and in this context will take part in some of the meetings. Companies wishing to take advantage of

this offer may register their interest voluntarily. A 10 per cent target is envisaged.[8] BMZ will fund the work in support of the evaluation process.

All participants in the evaluation meetings (external service providers, Partnership Secretariat, if applicable, DIMR) sign a **declaration of confidentiality**.

Small companies[9] may choose not to commission an external service-provider and conduct the in-person assessment meeting exclusively with the Partnership Secretariat.

Companies may use a **feedback system** to assess the external experts after the in-person assessment meetings.

2.3.2. Preparation and procedure for the meeting

As soon as the member has completed the internal reporting in the IT tool, the data are re-leased by the member. From then on, selected individuals in the Partnership Secretariat as well as the assigned service-providers can view the data.

As part of their preparations, the individuals involved in the meeting analyse the information and prepare questions that are sent to the members to prepare for the meeting. The **random check principle** applies to the provision of **evidence**. At the request of the evaluation team, the member must provide evidence in the in-person assessment meeting. If the member is required to provide evidence, the member will be notified prior to the meeting. In principle the effort must be minimised and the evaluation team has discretion in deciding on the purpose (and progress) for which evidence is to be submitted.

To minimise effort for everyone concerned, the member should also prepare for the meeting. It is advisable for the member to review the information it has provided and to have detailed information on hand, especially with regard to the questions sent in advance. Familiarising oneself with the evaluation criteria and key questions (2.3.3.) will also help the member prepare for the meeting.

2.3.3. Evaluation criteria and key questions

The evaluation team appraises and evaluates all sections of the report. It bases its evaluation on **key questions** intended to ensure quality and compliance with due diligence requirements. The questions are based on the OECD Due Diligence Guidance and are also available to the members.

Risk analysis

Methodology, scope and sources of information

- Is the described method for identifying the risks and adverse impacts considered to be suitable, or is there a risk that key aspects are missing?

- Was a uniform method used to calculate the fibre volume and do the results appear to be plausible?

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[8] If too few members voluntarily register their interest in this support, the SC will discuss how to proceed.
[9] Based on the EU definitions of micro and small enterprises, which specify that all companies with up to 49 employees and annual turnover of up to EUR 10 million benefit from this exception.

- Is the risk analysis inherently consistent and were the countries, product categories and business areas (textile-related) relevant to the company taken into account?

- Did the company review suppliers with a higher risk of potential and actual impacts and does it guarantee the quality of this assessment appropriately?

- Did the company assess the maturity of the suppliers' management systems and take it into consideration?

- Did the company consult external stakeholders or experts and/or obtain feedback from potential affected parties as part of the risk analysis, especially if information is missing?

<u>Results of the risk analysis and assessment</u>

- Do the results of the risk analysis coincide with common insights, reports and indices on the production countries, product categories, and the business and purchasing model relevant for the company?

- Is the content of the internal and external risk description basically the same and are targets and measures from the published content plausible?

- Is the estimated likelihood of occurrence (based on the assumed effectiveness of the existing mitigation measures and information on specific impacts or on the local context) coherent?

- Is the estimated severity (based on scale, scope and irremediable character) coherent?

Risk prioritization

- Is the justification that certain sector risks cannot be dealt with through targets ('explain') convincing?

- Is the focus of Prioritization that has been set (and hence the targets that have been defined based on it) on certain countries/supply chain tiers/suppliers/materials coherent in view of the likelihood of occurrence and severity?

For the evaluation of the **targets and measures**, the evaluation team poses the following key questions:

Are targets and measures...

- .... appropriate to address the severity of the risk and likelihood of its occurrence?

- ... more comprehensive in high-risk contexts than in low-risk contexts?

- .... appropriate to the nature of the risk?

- .... appropriate to the size and business model of the company?

- ... based on existing good practices or best available techniques?

- ... based on the knowledge of local stakeholders and external experts, insofar as the risk requires it?

For targets and measures in the area of **grievance mechanisms**, in addition to the above-mentioned key questions, the following remarks apply:

- Are the targets and measures derived from mapping of existing complaints channels along the supply chain (as well as the review of their effectiveness), potential affected parties/users and possible complaints issues?

With regard to the **progress report**, the following aspects are analysed:

- Are all aspects formulated in the target covered by the progress report?

- Can meaningful evidence be provided for the arbitrarily selected targets and at the request of the evaluation team?

2.4. Revision of the report

The key points for which there are still some open questions and/or there is a need for adjustment are recorded at the end of the in-person assessment meeting. Within seven days of the meeting, the external service-providers send a report that also contains **detailed recommendations and requirements for revising the roadmap.** The member is required to perform the adjustments within four weeks of receiving the report. Any additional revision must be performed within two weeks. After completion of the in-person assessment meetings, the Steering Committee sets a date by when all revisions must be undertaken. In the event of differences of opinion (generally about persisting deficiencies) between the evaluation team and the member, the conventional procedure for **arbitration/mediation** may be carried out.

If, due to changing circumstances or new insights consistent with a dynamic due diligence approach, there is a need for revision, it may be carried out in the context of a possible mid-term meeting (i.e. one year after submitting the report). The requirements for the mid-term meeting are the same as those for the in-person assessment meeting.

2.5. Publication

The reports are published by a date set by the Steering Committee. For all members who have completed the revision of their report by this time, a PDF document is generated that is published on the Partnership website. For the published document, the relevant data items are automatically extracted from the IT tool.

The external report consists of four parts that are described below.

1. Description of the procedure for the risk analysis

In this section, questions on the method used to create the risk analysis are listed, specifically the questions displayed in the box.

What sources, information and methods were used for the risk analysis?

Member's response

In addition to the general analysis of the textile supply chain, was a specific focus placed on certain areas (e.g. countries/regions, products/materials, supply chain tiers) in the risk analysis? If so, what areas did this entail?

Member's response

Was a detailed analysis conducted on individual topics (e.g. Human Rights Impact Assessment)? If so, which topics?

Member's response

Who was involved in the process internally?

Member's response

How was the perspective of external experts, stakeholders and potential affected parties taken into account?

Member's response

The individual targets and measures are listed in tabular form. From 2022, progress will also be presented in this table. In the transition year 2020, this is not likely to be possible, with the exception of the target on the increase of sustainable cotton. At this point, the external report is divided into three tables:

2. Risk-based targets

Sector risk	Starting situation	Progress report		Roadmap
Living wages	*The information is automatically taken over from 'Description of the risk'. The member may make some modifications if the information comprises sensitive data that that it does not (yet) wish to communicate publicly.*	*Indication of whether the target from the past report was achieved or not*	*Remarks (if target achieved)* *Explanation (if target not achieved)*	**Target 1:** *SMART target*
				Measures: *Measures belonging to the target*
				Target 2: *If more than one target: list here*
				Measures:
				…
				…
Use of chemicals, wastewater				**Target 1:**
Child and forced labour				
…				

3. Fibre targets

Fibre	Progress report		Roadmap
Cotton	*Target achieved/target not achieved*	*Information on quantity achieved in the previous year*	*Information on percentage increase target for cotton according to currently valid specifications (organic and otherwise sustainable cotton)*

4. Grievance mechanisms

Description of the grievance mechanism	Roadmap
What channels are available to the concerned parties in your supply chain to communicate complaints? How is access to effective grievance mechanisms currently promoted in your own supply chain?	**Target 1:** SMART target **Measures:** Measures belonging to the target **Target 2:** If more than one target: list here **Measures:**

3. Admission of new members to the Review Process

All members admitted to the Partnership after the new Review Process has been adopted will initially conduct a self-assessment to check the extent to which the basic processes for implementing the due diligence approach are in place. The results of the self-assessment included in the annex are filled in by the members and are then discussed with the Partnership Secretariat, which provides some guidance. Upon completion of this onboarding, the member participates in the regular Review Process and may use the Partnership logo.

Companies that can prove that the fundamental processes for implementing the due diligence approach are in place – by means of certification or their membership in another organisation – are admitted without further verification and participate in the regular Review Process directly. In February 2020, the Steering Committee is presented with a list of initiatives for which this exception applies.

4. Reporting for non-governmental organisations, trade unions, associations and standards organisations

From 2020, non-governmental organisations, trade unions, associations and standards organisations will comply with an adapted reporting obligation. Reporting takes place in the same period as that of the companies. In justified exceptional cases, the reporting phase may also be extended by one month. Unlike companies, however, reporting by these stakeholder groups' is based on the following key questions:

- How has the organisation contributed to the Partnership during the reporting period (financially, with personnel or with expertise)? Examples: Participation in expert groups, Steering Committee, working meetings, support for Partnership initiatives, etc.
- What measures* has the organisation used to contribute to achieving the Partnership goals during the reporting period?
- What measures* are you intending to implement for achieving the Partnership goals in the coming reporting period?

*A measure must be specified in terms of its content, scope, target group and intended impact.

The Partnership Secretariat will provide a template for reporting in order to ensure uniform presentation on the website.

The completed report is sent to the Partnership Secretariat. If a member fails to submit a report, the member must leave the Partnership. Any queries or content-related questions are discussed by the Partnership Secretariat and the respective member. The report is then published on the Partnership website.

5. Reporting for the German Federal Government

As with all other stakeholder groups, the German Federal Government will also comply with a modified reporting form as of 2020. The new key dates and deadlines for reporting (starting date, reporting period, one-month extension) also apply to the German Federal Government. In future, the German Federal Government will set its goals in five areas of action:

- Setting the agenda and framework
- Policy dialogue
- Capacity building (measures for improving the business environment in the producer countries)
- Sustainable public textile procurement
- Awareness-raising and education

For each area of action, up to eight targets and associated measures are set. The measures are geared towards the Partnership topics/sector risks, on the one hand, and towards the priority areas set in the Textile Partnership (e.g. grievance mechanisms, impact assessment), on the other. The complete report is sent to the Partnership Secretariat. Any queries or content-related questions are discussed by the Partnership Secretariat and German Federal Government. The report is then published on the Partnership website. In addition, the report is presented to interested Partnership members at a working meeting or the Members' Meeting, where members can also ask the German Federal Government to clarify any questions.

Annex

<table>
<tr><td colspan="5" style="background:#1e3a5f;color:white">Self-assessment Basic Supply Chain Due Diligence Management System
for New Members</td></tr>
</table>

Thematic areas (= due diligence process steps)

A. Policy

B. Identification of risks and potential harms

C. Business practices and supply chain management

D. Monitoring and verification

E. Grievance mechanisms

A. Policy				
A1. Content and scope of the policy	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Self-assessment member	Assessment Partnership

The company has issued a policy in which it - commits to responsible business conduct and the implementation of due diligence processes in the supply chain aligned with relevant international requirements and identifies human rights standards. - addresses all of the Partnerships topics and other significant risks for the company's supply chain - commits to zero tolerance of all forms of corruption, including extortion and bribery. - commits to responsible purchasing practices. - defines expectations for all business partners and suppliers with regard to their handling of the Partnership topics and subcontracting. These include: - the Partnership's social targets - the ZDHC MRSL (or equivalent) - the wastewater standard ZDHC foundational (or equivalent). - formulates expectations for handling homeworking in line with the extent to which homeworking takes place in the company's own supply chain.	1.1. (1, 2, 4, 6)	* MT Commitment to Partnership's social goals for 2018* MT Sustainable new wool policy 2018 * RT Prohibition of Subcontracting* MT Communicating the MRSL 2018* MT Communicating the Wastewater standards 2019* MT Corruption prevention policy 2019		
A.2 Internal mainstreaming and resources provided	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership

The policy - was adopted by the highest management level. - is made publicly available on the company's website. - is communicated to all employees, business partners and tier 1 suppliers. - is updated on a regular basis and with a view to possible changes to risks and impacts in the supply chain. The implementation of this policy - is carried out under the responsibility of one or more executive staff with the requisite knowledge and experience in line with the company's own risk profile and the existing resources. - is ensured by clear procedural rules and coordination across business units.	1.1. (11, 12, 15, 16, 17, 20)	* MT Commitment to Partnership's social goals for 2018* MT New wool policy 2018 * MT Communicating the MRSL 2018* MT Communicating the Wastewater standards 2019* MT Risk-based selection of suppliers* MT Corruption prevention 2019		

B. Identification and prioritization of risks and potential harms

B.1. Knowledge of own supply chain and materials/products used	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The company - has a list of its direct business partners and tier 1 suppliers (including name and address of the individual production units) as well as nominated or recommended material suppliers and updates these continuously. - is aware of the materials and types of fibres used in its own products. - increases the share of conventional, sustainable and organic cotton used (absolute and relative quantities).	1.1. (11, 15)	* MT Survey 2018 * MT Percentage increase target for cotton		

B.2. Identifying risks and impacts	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The company identifies its social, ecological and compliance risks and impacts in the supply chain on a regular and ongoing basis. In so doing, it takes account of changes in the business environment (e.g. policy framework) and the company profile (new materials, procurement countries). When identifying risks and impacts in the supply chain, the company takes internal and external sources into account in order to: - assess country-specific risks at manufacturing and possibly material-production level; - understand how suppliers and/or producers are positioned to handle country-specific risks and specific adverse impacts on the ground. To this end, information on existing management capacities of the suppliers and information on actual incidents/adverse impacts on the ground from the perspective of those affected are considered (e.g. interviews with workers, results of grievance mechanisms, audit reports); - to assess hotspots along the supply chains of key materials and determine high-risk materials via them. The company has prioritized its key risks at tier 1/2 level and about materials used based on the severity of the risk and the likelihood of its occurrence. Based on the Prioritization and existing resources, specific measures were defined that aim to prevent risks from occurring or at least mitigate them and/or in the event of specific impacts, create or help to create remedies.	1.1. (11, 15)	* MT Identification 2018* MT Percentage increase target for cotton* MT Risk analysis 2018* RT Corruption prevention 2019	*Evidence: completed Risk Assessment Template*	
C. Business practices and supply chain management				

C.1. Training for own employees	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The company regularly trains relevant staff members on its own targets and on the specific handling of the social, ecological and corruption risks and impacts identified in the company's supply chain (e.g. handling dilemmas or taking these into consideration in relevant decision-making processes).	1.1. (14, 18)	* MT Raising awareness of sustainable textiles* RT Corruption prevention 2019		
C.2. Product development	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The outcomes of the risk-analysis processes (in particular with a view to (high-risk) materials) are fed into material selection and product design.				
C.3. Selection of business partners and suppliers	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
Prior to entering into a new business relationship or placing an order, the company checks the risks associated with potential business partners and how the partners are positioned to handle the identified risks. The findings, along with other (commercial) criteria, are included in the decision-making process. If necessary, measures are undertaken to specifically strengthen the supplier's management capacities or deal with the risks in any other way. The company communicates minimum social, ecological and compliance requirements (see policy) to its business partners and requests them to forward them to the supply chain and implement them there.	3.2 (13,14)	*MT Risk-based selection of suppliers 2019 *MT Commitment to Partnership's social goals for 2018 *MT Communicating the MRSL 2018 *MT Communicating the Wastewater standards 2019 *MT Public policy on corruption 2019		

C.4. Incentive systems and support for suppliers	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The company uses incentives to promote implementation and compliance with its own specifications (e.g. long-term business relationships, commissioning procedure tied to social/ecological performance). Based on its risk-analysis processes, the company supports partners in the supply chain directly in preventing and mitigating potential adverse impacts on people and the environment for which it bears responsibility itself. This includes:– support for wet-process producers with (1) improving proper and environmentally sound management practices and (2) increasing the use of ZDHC-compliant chemical products.- developing the capacity of producers regarding social standards.	3.2 (21)	* MT Good Housekeeping* MT Improving ZDHC compliance starting in 2019 * MT Capacity building Partnership's social goals for 2018		
C.5. Procurement practices	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The company has analysed its purchasing practices (e.g. based on the ACT-PPSA) and created a plan of action based on the assessment.	3.2. (10, 11, 12)	* MT Measure on living wages 2019		
C.6. Termination of business relationships	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership

The company has defined reasons that may lead to suspension or termination of a business condition. These include - occurrence of zero-tolerance topics such as child/forced labour, corruption, union-busting; - suppliers repeatedly not meeting their obligations to implement improvement measures in the agreed time frame. In the event that the business relationship is terminated, the company takes into account the possible adverse impacts of the decision on the local workers and undertakes measures to mitigate these (for example, through gradual reduction of the commission volume over a longer period of time).	3.2. (24)	* MT Monitoring and verifying own requirements 2019 * RT Corruption prevention 2019		

D. Monitoring and verification

D.1 Verification in own business and in the supply chain	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership
The company - continuously assesses (based on quantitative and/or qualitative indicators (KPIs)) the extent to which specifications and objectives for implementing due diligence are met in the supply chain and whether adjustments are required to increase the impact of the measures that have been undertaken. In so doing, the feedback from internal and external stakeholders (such as feedback from workers via complaints channels) is taken into account. - This includes the systematic analysis and monitoring of improvement measures in the supply chain (at least tier 1).	4.1. (2, 6)	* MT Monitoring and assessing own requirements 2019		

E. Grievance

E.1. Effective grievance mechanisms along the supply chain	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partner-ship
The company - has mapped existing complaints channels for potentially affected parties in its own supply chain (focus on ready-made clothing and possibly on production of materials) and has identified gaps based on the UN Guiding Princi-ples on Business and Human Rights; - has developed a plan of action based to improve access to effective grievance mechanisms for potentially affected parties in the supply chain. This may take place both by promoting local grievance mechanisms at production level as well as by strengthening and communicating external ('back-up') mechanisms.	6.2 (7)	* MT Access to grievance mechanisms 2019 * RT Corruption prevention 2019		
E.2. Remedy and compensation	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partner-ship
The company - provides appropriate remedial action or is committed to providing appropriate remedies in the case of adverse im-pacts when identified (e.g. during an audit, via a griev-ance mechanism or through an NGO campaign). This ap-plies in particular to serious adverse impacts such as cases of child and forced labour, corruption, etc.; - cooperates selectively with other company and stake-holders.	6.2 (9)	* MT Process for child and forced labour 2018 * MT Access to grievance mechanisms 2019 * RT Corruption prevention 2019		
F. Communication				
F.1.	Reference OECD Alignment Assessment Tool	Reference targets 2018-2020 MT = mandatory target RT = recommended target	Assessment by company	Evaluation by Partnership

The company communicates publicly and regularly on its relevant targets and the way it deals with the <u>Partnership topics</u> in the supply chain.* ** This part is also covered by reporting in the Partnership.*	5.1 (1)				