

# Response of the Partnership for Sustainable Textiles to the OECD Alignment Assessment

12<sup>th</sup> February 2020

## 1. About the Partnership for Sustainable Textiles

The **Partnership for Sustainable Textiles** (hereafter: Partnership) is a multi-stakeholder initiative founded in October 2014. It brings together 123 members from business (companies and associations), non-governmental organisations (NGOs), trade unions, standard-setting organisations and the German Federal Government. The Partnership aims at improving social, environmental and economic conditions along the entire textile supply chain. The members work towards substantial improvements by participating in the Partnership's fields of activity:

- 1) **Individual responsibility:** Within the framework of the Review Process, members individually implement the Partnership's requirements and report on the progress. In this way, the Review Process documents the contribution and progress of individual members in pursuing the Partnership's objective. In addition, members can demonstrate how they fulfil their due diligence responsibilities and work toward their sustainability goals<sup>1</sup>.
- 2) **Collective engagement:** Members are encouraged to join Partnership initiatives in production countries to address specific sector risks and foster structural change on the ground.
- 3) **Mutual support:** The Partnership serves as a platform for dialogue and learning between members regarding the environmental, social and compliance risks in the textile and garment sector.

The Partnership's work is based on **international agreements and guidelines** that define the principles of social, environmental and economic sustainability and set the framework for corporate responsibility, in particular ILO Conventions, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Since its adoption in 2017, the **OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector** (hereafter: OECD Guidance) has been the guiding framework for the Partnership's work, particularly for the Review Process. The Partnership recognizes the OECD Guidance as the internationally agreed common framework to help garment and footwear companies carry out supply chain due diligence. Alignment with the OECD Guidance is crucial to achieve a **common understanding of due diligence in the sector**. It provides the basis for the cooperation of the Partnership with other national and international initiatives aimed at promoting the scaling up of due diligence implementation in the textile and garment sector.

In order to improve the alignment of the Review Process with the recommendations of the OECD Guidance, the Partnership participated in the **OECD Alignment Assessment** in 2019. Below, the Partnership explains how the Review Process has been revised based on the main results and recommendations of the OECD Alignment Assessment.

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<sup>1</sup> For a description of the revised Review Process as of 2020, see section 3.

## 2. Main recommendations of the OECD Alignment Assessment

After three years of implementing the Review Process, the Partnership undertook a fundamental revision based on the recommendations of the OECD Alignment Assessment and lessons learned by the Partnership members and the secretariat. In particular, the following **main results and recommendations of the OECD Alignment Assessment** have been incorporated in the new Review Process:

- Integrate the **overarching characteristics of due diligence** more systematically, particularly due diligence that...
  - ...is informed by meaningful engagement with stakeholders (recommendation 1)
  - ...is commensurate with the risk and involves prioritization based on the severity and likelihood of impacts on people and the environment (recommendations 2 and 3)
  - ...is appropriate to a company's circumstances (recommendation 4)
  - ...considers the unique position of women systematically at all stages (recommendation 5)
- Integrate a **stronger framework for evaluating the quality of the measures** implemented by member companies, particularly regarding:
  - Self-assessments and supplier assessments (recommendation 8)
  - Targets related to preventing and mitigating impacts in the company's own operations and in its supply chain (recommendation 9)
  - Monitoring and verification (recommendation 10)
  - Grievance mechanisms and remedy (recommendations 12 and 13)
- Strengthen expectations around **communicating on a company's due diligence** in-line with the OECD Guidance (recommendation 11)

## 3. The new Review Process

The overall goal of the new Review Process is to **support members in effectively preventing or mitigating the most significant social, environmental and compliance risks in their supply chains consistent with the risk-based due diligence approach**. In the event of actual impacts, appropriate remedies must be provided.

For **current members**, the Review Process has been revised as follows:

- Member submits the methodology and results of the **risk analysis and prioritization**:
  - In the risk analysis, each company reviews whether and how the 11 defined sector risks<sup>2</sup> occur (actual negative impacts) or could occur (potential risks) in its own supply chain.
  - Based on the results of the risk analysis, each member prioritizes the identified risks based on severity and likelihood of occurrence. Severity is determined as the scale, scope and irremediable character of the harm.
- For each sector risk in which the member has identified individual risks, (at least) **one individual target and relevant measures (roadmap)** must be specified:
  - 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.
  - Independent of the individual risk analysis, all members must set at least one target related to the following sector risks: living wages; use of chemicals, wastewater; and corruption.
  - Furthermore, each company must address two additional aspects and set targets for them: increase of sustainable cotton; promotion of access to effective grievance mechanisms.
- 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.

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<sup>2</sup> The sector risks are derived from the previous "Partnership topics" and the OECD Guidance. They include freedom of association and collective bargaining; discrimination, sexual harassment and gender-based violence; health and safety; wages and social security benefits; working hours; child and forced labour; corruption; use of chemicals, wastewater; environmental protection, use of resources; greenhouse gas emissions; animal welfare.

- In the course of an **in-person assessment meeting**, the roadmap and progress report are evaluated and reviewed for quality and compliance with the due diligence requirements:
  - Member is advised on practical due diligence implementation (e.g. how to formulate an ambitious roadmap)
  - Quality check is conducted based on the recommendations of the OECD Guidance, focusing particularly on the overarching characteristics of due diligence
  - Meeting is conducted by a tandem comprising the Partnership secretariat and external service providers
  - Small companies<sup>3</sup> may choose not to commission an external service-provider and conduct the in-person assessment meeting exclusively with the Partnership secretariat
- Based on the feedback during the in-person assessment meeting, the member company makes **adjustments** to the risk analysis, roadmap and/or progress report.
- Each member company **publishes a report** including the following information:
  - General company information and information on the supply chain management (incl. fibres)
  - Methodology and results of the risk analysis and prioritization of the risks
  - Progress report on the previous phase
  - Targets and measures for the next phase
  - Grievance mechanisms
- Reporting takes place **every two years** between 1 April and 31 May of the given year. In 2020, reporting will take place between 15 June and 15 August. In justified exceptional cases, the reporting phase for individual members may be extended by one month.

**New members** joining the Partnership after the new Review Process has been adopted have to go through an **onboarding process**:

- Member must conduct a self-assessment to check the extent to which the basic management processes for implementing due diligence are in place.
- The questionnaire for the self-assessment is based on the recommendations of the OECD Guidance and on the mandatory targets for Partnership members in the period 2018-2019.
- The results of the self-assessment are discussed with the Partnership secretariat in an in-person meeting.

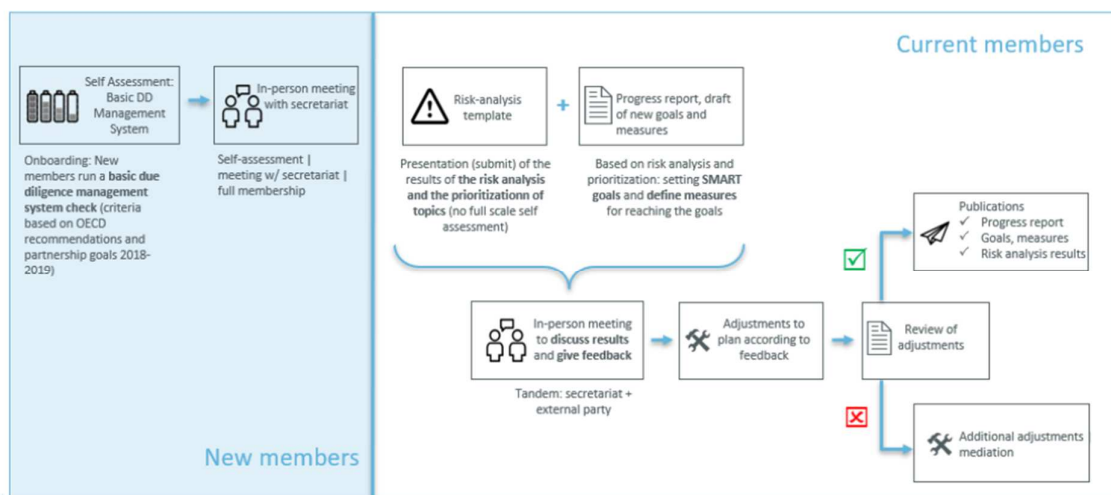


Figure 2: Overview of the new Review-Process

<sup>3</sup> All companies with up to 49 employees and annual turnover of up to EUR 10 million can benefit from this exception (based on the EU definitions of micro and small enterprises).