

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

Assessment of the German Partnership for Sustainable Textiles



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# **The Alignment of Industry and Multi-Stakeholder Programmes with the OECD Garment and Footwear Guidance**

Assessment of the German Partnership  
for Sustainable Textiles

# OECD Alignment Assessments

In 2018, the OECD Secretariat established a pilot 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 programmes<sup>1</sup> with the recommendations of 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).<sup>2</sup> Each core criterion is linked to discrete recommendations within corresponding due diligence guidance. Programmes are evaluated on a scale from “not aligned” to “aligned” against each due diligence criterion. Alignment Assessments may also evaluate collaboration and the programme’s governance. These aspects, however, 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 provides 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 German Partnership for Sustainable Textiles (PST) from August 2018 to June 2019. This assessment falls within the OECD’s pilot of Alignment Assessments in the garment and footwear sector. This report sets out the findings of the OECD’s Alignment Assessment of the PST 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”).

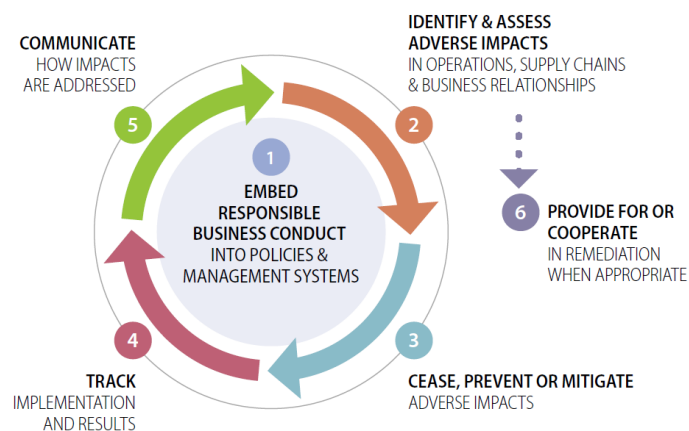
## About the OECD Garment and Footwear Guidance

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 conduct responsible business conduct (RBC) due diligence, in order to identify and address risks of adverse impacts in a company's supply chain (see figure 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.

FIGURE. 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

Established in 2014, the Partnership for Sustainable Textiles (the PST) is a government-backed multi-stakeholder initiative which brings together business, trade unions, standards holders, civil society and the German Federal Government to “bring about continuous improvement of social, environmental and economic sustainability along the textile supply chain”.<sup>3</sup> Companies participating in the PST agree to individual commitments, which include assessing their due diligence processes through a baseline questionnaire and working towards negotiated Targets. Companies likewise commit to publishing Roadmaps and Progress Reports against Targets and undergoing a third-party plausibility review. The OECD Secretariat carried out an Alignment Assessment of the Partnership for Sustainable Textiles from August 2018 to May 2019.

**The PST is relatively new and continues to evolve. Establishing stronger coherence across activities will help to strengthen alignment with OECD due diligence recommendations.**

An important characteristic of the PST is its adaptive nature. Requirements for members within the partnership have evolved annually, with perhaps the most significant changes occurring in 2018 when the PST introduced mandatory Targets alongside recommended Targets. The adaptive nature of the PST was positively referenced by the majority of interviewees across stakeholder groups during the Alignment Assessment. As the PST evolves, one challenge that it faces is ensuring that the various aspects of the partnership, including the baseline questionnaire, Targets, review process, guidance documents and partnership initiatives, do not devolve into disconnected processes. For example, throughout this assessment, the OECD Secretariat noted numerous instances in which guidance documents produced by the PST provided recommendations closely aligned with the steps and concepts included in the OECD Garment and Footwear Guidance. However, these concepts were not always subsequently integrated into the criterion for reviewing Targets or establishing partnership initiatives. A benefit of the dynamic nature of the PST is that it is well positioned to respond to stakeholder feedback, including the recommendations within this Alignment Assessment.

**The PST is playing an increasingly important role in sharing best practices and providing a platform for dialogue between stakeholders within Germany on company due diligence.**

All stakeholder groups pointed to the growing role of the PST in sharing information and best practices between members. One business representative expressed that the PST should be a one-stop-shop for the textile industry in Germany. All stakeholder groups likewise emphasised that the PST provides a platform for dialogue between stakeholders within Germany and two business representatives pointed to the PST as being the only platform by which they are able to hear the perspectives and concerns of German civil society members.



**The review process under the PST currently focuses on whether a company is taking action towards Targets, but not whether those measures are appropriate or commensurate with the severity of the harm.**

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. The PST integrates these overarching elements of due diligence into guidance produced for member companies and, in some cases, has integrated aspects into the baseline questionnaire. However, overarching elements of due diligence are not included within the scope of the third-party review. Consequently, within the third-party review process companies simply need to demonstrate that measures are being taken, but not whether those measures are appropriate to the nature of the issue or country context, informed by meaningful stakeholder engagement or best practice, or are commensurate with the severity of the harm.

**Approaching due diligence holistically will be important moving forward.**

When taking into consideration the baseline questionnaire, Targets and guidance documents, the PST covers the overarching recommendations contained within the OECD Garment and Footwear Guidance. However, a large portion of mandatory and recommended Targets hone in on discrete sub-steps of the due diligence process. In these instances, companies can achieve a Target by carrying out an isolated element of the due diligence process. However, the OECD Garment and Footwear Guidance was not developed with the intent of steps being carried out in isolation. Rather, discrete steps within the due diligence process only drive outcomes if they are carried out alongside other due diligence recommendations.

**The PST has established a systematic, documented and replicable process for reviewing and recognising relevant standards.**

The PST assesses and recognises select standards holders and initiatives within the baseline questionnaire and for the achievement of select Targets. Recognition can help to avoid duplication of reporting requirements for member companies that are already reporting through other initiatives. It likewise can demonstrate how standards and / or initiatives may support a company's due diligence efforts. The PST could envisage strengthening its recognition process by considering how to evaluate performance on recommendations included in the OECD Garment and Footwear Guidance which are not within the scope of the database (the Siegelklarheit) used by the partnership. Additionally, the PST could further ensure that the scope of recognition aligns with the scope of the standard itself. Finally, the PST could establish a process for monitoring standards holders. For example, the PST could establish a process by which complaints can be raised that a particular standard holder recognised under the PST is not fulfilling the expectations of the linked Targets.

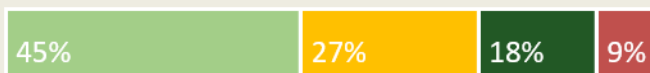
**The PST represents approximately 50 percent of the German market and therefore is well positioned to use its leverage to support systematic and sector-wide change.**

Members from business, standards holders and trade unions pointed to the potential role that the PST could play at a more strategic level to use the joint leverage of the broader partnership to drive systematic and sector-wide change in key sourcing markets for German companies.

## Snapshot of findings

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

### Overarching alignment score



Written standards (W)

### Alignment against overarching characteristics of due diligence

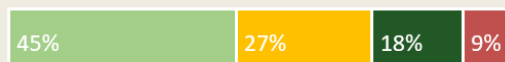


Written standards (W)

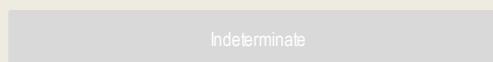
Implementation (I)

### Alignment against the 6-Step Framework of Due Diligence

#### Step 1. Policy and Management Systems



Written standards (W)

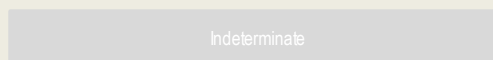


Implementation (I)

#### Step 2. Identify

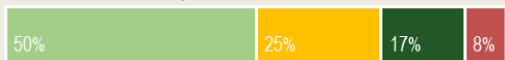


Written standards (W)

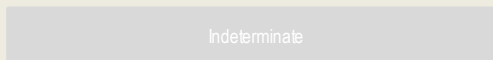


Implementation (I)

#### Step 3. Prevent and mitigate harm

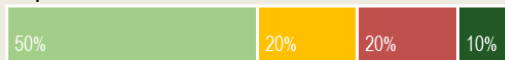


Written standards (W)

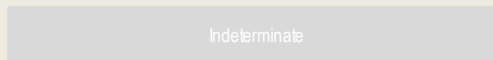


Implementation (I)

#### Step 4. Track



Written standards (W)

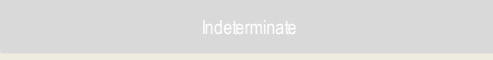


Implementation (I)

#### Step 5. Communicate



Written standards (W)

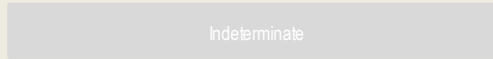


Implementation (I)

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



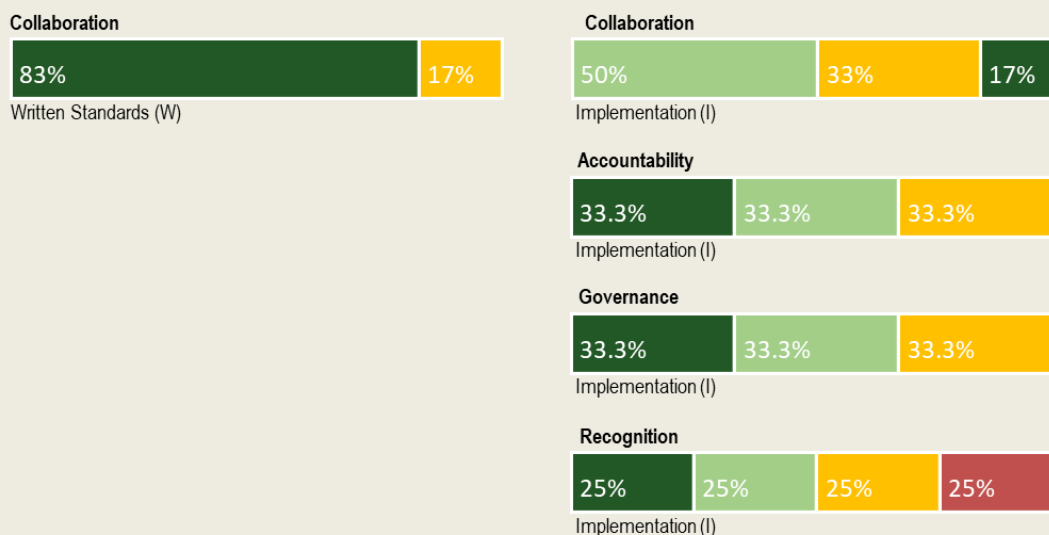
Written standards (W)



Implementation (I)

## Collaboration, Accountability, Governance and Recognition

These categories do not affect the overall alignment score.



Note: Accountability, governance and recognition were only evaluated against implementation.

### Notes about scoring

Implementation scores are based on the OECD Secretariat's assessment of the third-party review process held within the PST. Not all steps of the OECD due diligence framework are covered in full in the third-party review process. Consequently, the OECD Secretariat only gave an implementation score on steps of the due diligence process when a vast majority of the criteria within the step fell within the scope of the third-party review process of the PST. In cases in which a significant number of criteria do not fall within the scope of the PST third-party review process, a score at the step level was not provided and is indicated as being "Indeterminate".

# 1. Alignment Assessment of the Partnership for Sustainable Textiles

## About the Partnership for Sustainable Textiles

The Partnership for Sustainable Textiles (the PST) is a multi-stakeholder initiative that brings together approximately 120 members from industry, non-governmental organisations, trade unions, standards organisations, and the German Federal Government to “achieve a critical mass in the marketplace in order to bring about continuous improvement of social, environmental and economic sustainability along the textile supply chain”.<sup>4</sup> Towards this end, the PST establishes individual responsibilities, collective engagements and mutual support:

- Individual responsibility: Within the framework of the Review Process, members individually implement PST’s requirements and report on the progress.
- Collective engagement: Members are encouraged to join Partnership Initiatives in production countries to address specific sector risks and foster structural change on the ground.
- Mutual support: The PST serves as a platform for dialogue and learning between members regarding environmental, social and compliance risks in the textile and garment sector.

## Activities within the PST relevant to RBC due diligence

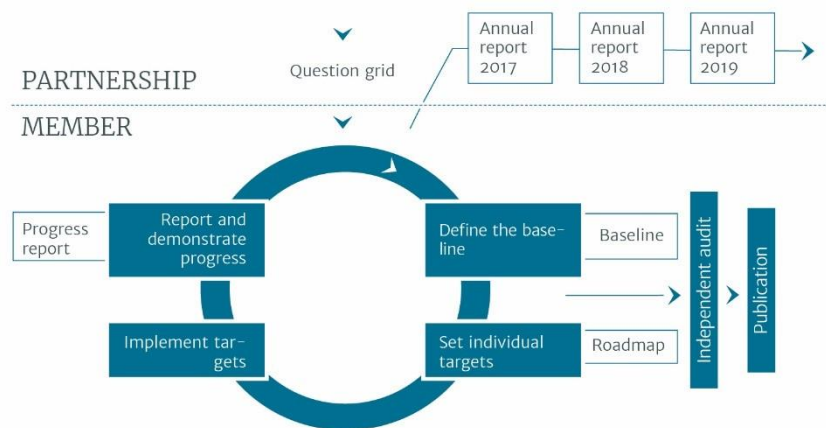
The following activities within individual and collective responsibilities of companies under the PST pertain to due diligence.

- a. Corporate members report through a baseline questionnaire on their due diligence systems. The questionnaire includes questions pertaining to the following aspects of a company’s due diligence: policy, risk analysis, business practices and supply chain management, monitoring, tracking results, remedy and complaint mechanisms and communication. Data included in the baseline questionnaire are confidential except during a third-party review process.
- b. Since 2018, the PST has established mandatory and recommended Targets for all members. Targets for company members may relate to the implementation of discrete due diligence processes (e.g. “Support producers in the supply chain in improving correct and environmentally sound management practices.”). Targets may also be outcome-focused (e.g. “100% of the chemical products used comply at least with the ZDHC MRSL.”). Targets are progressive in that companies are expected to report on and achieve an increasing number of Targets from year to year. See Annex B for a list of all Targets.
- c. Members establish goals for the achievement of Targets through Roadmaps and report on their progress against those goals in Progress Reports, published on the PST website. Members undergo a plausibility check of their Roadmaps and Progress Reports by an independent third-

party. This process is referred to as the “third-party review” throughout this report. The third-party primarily uses data included in the baseline questionnaire in conducting the review. See Figure 1, Review Process. In 2019, the PST developed a document that specifies the requirements for review within the mandatory and recommended Targets (Annex C, Document 31).

- d. The PST has established a number of guidance documents on elements of the due diligence process as well as specific risks. A full list of documents is included in Annex C.
- e. Stakeholders within the PST may collaborate in producing countries through a “Partnership Initiative”. Partnership initiatives have been established in Tamil Nadu (India) as well as on specific issues, such as chemical and environmental management and living wages.

**Figure 1. Review process of the PST**



Source: Partnership for Sustainable Textiles website, <https://www.textilbuendnis.com/en/der-review-prozess/>

## Scope of the OECD Alignment Assessment

The following elements pertaining to a company’s individual responsibility under the PST were included within the scope of the Alignment Assessment:

- baseline questionnaire
- mandatory and recommended Targets
- Roadmaps and Progress Reports
- guidance documents

For each of the above elements, the OECD Secretariat evaluated any relevant written procedures and implementation. In the context of this Alignment Assessment, “written procedures” refers to any documentation developed by the PST that meets any of the below criterion:

- establishes expectations for companies on due diligence
- establishes an assessment framework for due diligence
- establishes guidance on due diligence.

Implementation, by contrast, refers to:

- the actual expectations that companies are evaluated against;
- the actual reporting expectations of companies as evidenced through public Roadmaps and Progress Reports.

While the implementation of partnership initiatives did not fall within the scope of the Alignment Assessment<sup>5</sup>, the process for developing partnership initiatives was evaluated against overarching due diligence criterion.

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

Where the PST likewise helps to facilitate due diligence, for example through capacity building and joint leverage, such as through partnership initiatives, trainings, webinars, workshops, etc. these were evaluated within the context of collaboration criterion, overarching due diligence criterion and (where relevant) steps of the due diligence process.

The following activities were not included within the scope of the Alignment Assessment:

- Mandatory Targets and Targets for stakeholders beyond retailers, brands, manufacturers
- The effectiveness of the PST more broadly, except where it relates to due diligence
- The performance of individual members. This review focused only on what is expected of companies and how that is being evaluated and supported but not on the extent to which individual members are acting responsibly.

**Table 1. Elements in-scope of the Alignment Assessment**

Partnership activity	Scope of written procedures	Scope of implementation
<b>Baseline questionnaire</b>	All questions	3 <sup>rd</sup> party plausibility check of Targets implemented in 2018. <sup>i</sup>
<b>Targets</b>	All mandatory and recommended Targets	3 <sup>rd</sup> party plausibility check of Targets implemented in 2018 <sup>ii</sup>
<b>Guidance documents</b>	All guidance documents	Not applicable
<b>Partnership initiatives</b>	Written procedures related to the development of partnership initiatives	The process for developing partnership initiatives was evaluated against overarching criterion for due diligence. <sup>iii</sup>

Notes:

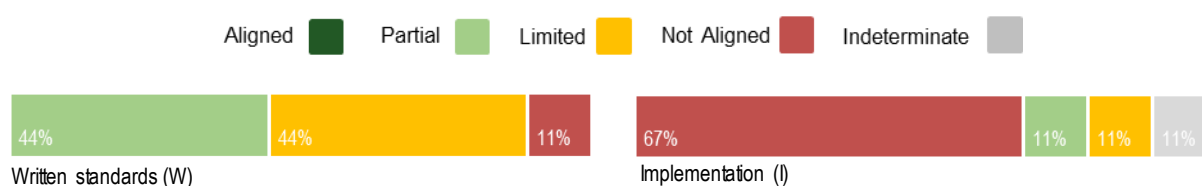
i. Questions that do not correspond to a Target are not included in the review process;

ii. Excluded from these was Target 1. The evaluation of Target 1 is still under consideration. Recommended Targets were not yet included in the evaluation due to a lack of sufficient companies choosing to establish recommended Targets

iii. This decision was made because the partnership initiatives are still fairly new and are changing in form and function.

## 2. Overarching characteristics

Figure 2. Alignment of overarching due diligence characteristics



### Strengths

- a. By its nature, the PST facilitates stakeholder engagement and expert input on due diligence between companies, trade unions, workers, non-governmental organisations (NGOs) and government. Although the PST does not yet play a strong role in facilitating stakeholder engagement in producing countries, it nonetheless does drive stakeholder engagement on company priorities through the negotiation of Targets as well as expert input onto best practices through its working groups.
- b. Characteristics of due diligence are integrated throughout the baseline questionnaire, guidance documents, Targets and overall processes of the PST in a number of ways:

#### Examples:

- The vast majority of Targets establish goals that are seeking to prevent impacts from occurring.
- The focus of the baseline questionnaire and Targets on product development<sup>6</sup>, integrating monitoring mechanisms into decision-making processes<sup>7</sup> and due diligence in the selection of suppliers<sup>8</sup> establishes due diligence as a process that should be an integral part of decision making (Criterion 2).
- For example, carrying out a self-assessment (i.e. the baseline questionnaire) of a company's due diligence is a measure that can enable companies to better prevent and mitigate impacts in their supply chains.
- The dynamic nature of due diligence is a theme in guidance produced by the PST, including that "Significant structural changes in procurement, the development of new procurement countries and sales markets or the launch of new product lines, however, also require a renewed risk assessment."<sup>9</sup>

### Opportunities

The core characteristics of due diligence could be more consistently integrated into the PST review process and the parameters around meeting mandatory and recommended Targets. **Overarching elements of**

**due diligence are not included within the scope of the third-party review of company Roadmaps and Progress Reports against Targets.** Consequently, one of the potential risks is that the baseline questionnaire and Targets result in an approach whereby a company simply needs to demonstrate that it is taking measures, but not whether those measures are appropriate to the context, are commensurate with the risk, consider the position of women, etc.

- a. Some mandatory and recommended Targets hone in on discrete sub-steps of the due diligence process. In these instances, companies can achieve a Target by carrying out an isolated element of the due diligence process. Discrete steps within the due diligence process are only preventative if they are carried out alongside other due diligence recommendations.
- b. By establishing mandatory Targets on a discrete set of risks (e.g. wages, chemical management, bribery and corruption) the PST has taken a decision on the prioritisation of risks for companies. Currently there are no criterion helping to determine whether a mandatory target should be established. For example, a framework for determining whether a Target should be mandatory based on the severity of the issue to people and the environment and the prevalence in the supply chains of member companies could be developed.
- c. The preventative nature of a company's actions are not considered within the third-party review process of select key Targets.
- d. During the third-party reviews, companies is not evaluated against whether the actions that they are taking to achieve Targets are commensurate with the severity of the harm.

**Example:** Target 18 requires companies to support producers in implementing the PST's social Targets. However, within the description of the Target there is no indication that the measures which the company takes to support producers should be commensurate (i.e. proportionate) with the severity of the harm.

- e. Meaningful stakeholder engagement, as defined by the OECD Garment and Footwear Guidance, is not systematically integrated into the baseline questionnaire or the achievement of Targets.<sup>10</sup>

**Examples:**

- Meaningful stakeholder engagement is not a requirement in the achievement of relevant Targets, such as Target 18, "Support producers in implementing the PST's social Targets" or Target 24, "Introduce an effective system for verifying and monitoring implementation of the measures for improving the social and ecological conditions in the supply chain".
  - In the review process of Target 17, "Establish a process or procedure for handling cases of child labour and/or forced labour (including access to redress)", companies were not evaluated on whether affected stakeholders are engaged in the determination of remedy.
- f. Although guidance produced by the PST draws attention to the importance of tailoring a company's due diligence so that it is appropriate to its circumstances, this concept could be strengthened in the baseline questionnaire and the achievement of Targets.



















**Example:** Guidance produced by the PST notes that companies should consider their sourcing practices (e.g. whether they source directly or indirectly), their business models and the products which they produce or sell in evaluating the nature and extent of the risks in their supply chain. However, these considerations are not integrated in the baseline questionnaire and therefore are not considered in the third-party review process of Target 23, "Analyse the social and ecological risk and the potential effects of the entire business and prioritise the most important risk fields based on several instruments/sources".

- g. Gender considerations do not feature in the baseline questionnaire or in the Targets established by the PST. (Criterion N)



Table 2. Alignment of overarching due diligence characteristics

Aligned  Partial  Limited  Not Aligned  Indeterminate 

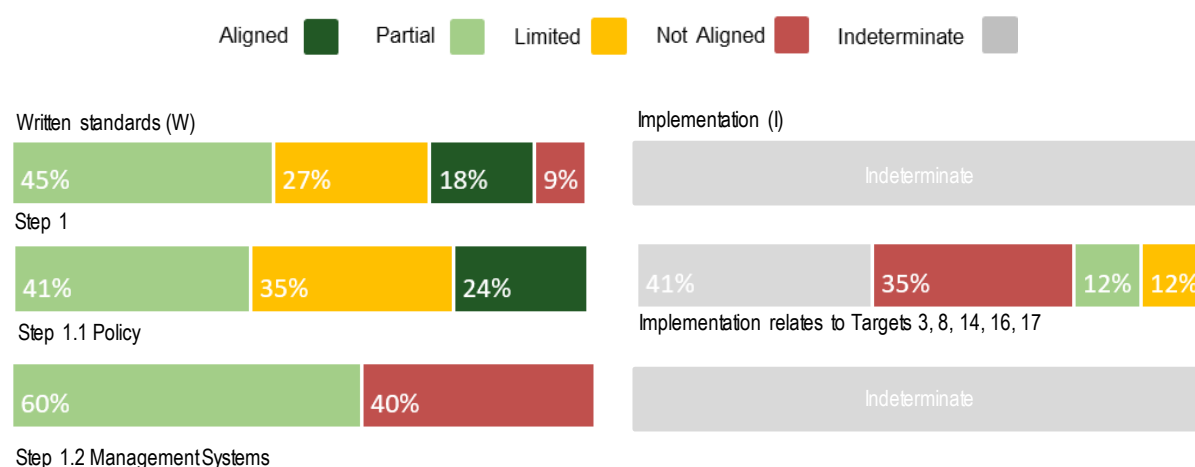
#	Criterion	W	I
1	The enterprise's due diligence is preventative.		
2	The enterprise's due diligence is an integral part of decision-making.		
3	The enterprise's due diligence is commensurate with risk (i.e. it is risk-based)		
4	The enterprise's due diligence involves prioritisation (i.e. it is risk-based)		
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 6-Step Framework for Due Diligence

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

Figure 3. Alignment against Step 1 criteria



#### Coverage of Step 1 by the PST

The PST establishes expectations for members on RBC policy development, coverage and content and management systems through the baseline questionnaire, select Targets and supporting guidance.

#### Strengths

- The baseline questionnaire, Targets and corresponding guidance documents broadly cover the range of expectations included in the OECD Garment and Footwear Guidance pertaining to policy and management systems.

#### Examples:

- The majority of criterion related to policy and management systems (60%) are either aligned or partially aligned.
- With only a few exceptions, OECD due diligence recommendations related to the content of RBC policy are well reflected in the baseline questionnaire, select Targets and guidance documents.
- Information management systems in relation to identifying and recording suppliers are well established.

- Processes for communicating specific standards in the supply chain are adequately covered.
- b. While opportunities do remain to strengthen alignment of policy content, development and scope with OECD due diligence recommendations, the majority of such opportunities could be implemented with minimal adjustments.

### ***Opportunities***

- a. **The PST could better integrate expectations on the process for developing and updating RBC policies.** A number of Targets concern only whether or not a policy has been established. These Targets could be strengthened to include expectations on the process for developing and updating policy (see Table 3, Criterion 20-22).<sup>11</sup> However, it should also be noted that although the PST does not include an explicit requirement on reviewing existing policies, a number of companies nonetheless referenced that participating in the PST has helped them to review, update and strengthen their existing policies. Specific topics referenced were wages and anti-bribery and corruption.

**Example:** Target 8, “Commit to zero tolerance of all forms of corruption including blackmail and bribery in the organisation and in its supply chain”, could be strengthened by referencing that: the policy should be developed and informed by relevant internal and external expertise (Criterion 20); indicating that the policy should be approved at the most senior level of the enterprise (Criterion 21); indicating that for companies that already have a Target on bribery and corruption that the Target should be reviewed to build on increasing knowledge about bribery and corruption in its operations and supply chain (Criterion 22).

- b. **A number of Targets focus on a discrete sub-step in the due diligence process.** In these instances, companies can achieve a Target by carrying out an isolated element of the due diligence process. However, discrete steps within the due diligence process only drive outcomes if they are carried out alongside other due diligence recommendations and should not be pursued in isolation.

**Example:** Target 2 requires companies to “Communicate the ZDHC<sup>12</sup> foundational wastewater standard to 100% of producers and business partners”. Within the scope of the target, companies are not expected to have a chemical policy in place that includes commitments to the Manufacturing Restricted Substance List (MRSL) and waste water management. Nor are companies expected to establish and communicate expectations for producers and business partners regarding the ZDHC foundational wastewater standard. Target 2 could be strengthened by integrating it into the broader framework of Step 1 under the due diligence process. In this case, companies should not only communicate the ZDHC standard but, importantly, also establish a policy on that standard including expectations for both producers that either use or produce chemicals (i.e. stop the use of chemicals on the MRSL) and producers and business partners that do not use chemicals (in terms of how they are expected to implement the policy regarding their suppliers).






































- c. The following recommendations included in the OECD Garment and Footwear Guidance related to policy commitments could be better reflected in the baseline questionnaire and relevant Targets:
- companies’ commitment to meaningful stakeholder engagement in the course of due diligence (Criterion 16)
  - companies’ commitment to hear and address all complainants against the enterprise regarding its own operations. (Criterion 18).<sup>13</sup>
  - companies’ commitment to responsible sourcing practices; i.e. a commitment that the enterprise will seek to prevent its purchasing practices contributing to harmful impacts (Criterion 14)<sup>14</sup>

d. The following recommendations included in the OECD Garment and Footwear Guidance related to management systems could be better reflected in the baseline questionnaire and relevant Targets:

- Adequate support and resources are allocated to due diligence on human rights, labour, environment and integrity risks. (Criterion 28)
- Alignment is established across teams and business units to support the implementation of the RBC policy. (Criterion 30)

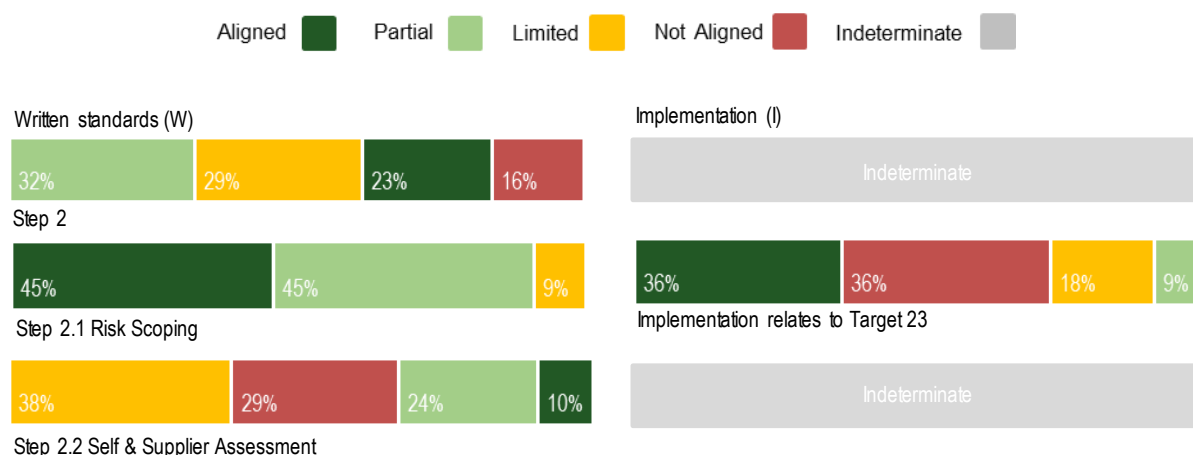
**Table 3. Alignment against Step 1 criterion**

Aligned  Partial  Limited  Not Aligned  Indeterminate 

#	Criterion	WP	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 sub-sector 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		
18	The policy is encouraged to include a commitment to hear and address all complainants against the enterprise regarding its own operations.		
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(s).		
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

Figure 4. Alignment against Step 2 criteria



### Coverage of Step 2 by the PST

The PST establishes expectations for members to carry out a scoping of risks along the supply chain through Target 23, “Analyse the social and ecological risk and the potential effects of the entire business and prioritise the most important risk fields based on several instruments/sources” and corresponding questions in the baseline questionnaire. The PST has likewise produced guidance documents that provide recommendations and examples for meeting these expectations. Supplier assessments are primarily addressed in the baseline questionnaire and some guidance documents but not by mandatory or recommended Targets.

### Strengths

- A scoping exercise by which companies identify risks across their supply chains is established as a foundational element in guidance produced by the PST, Target 23 and the baseline questionnaire.
- The primary considerations for a scoping exercise (or risk assessment) as detailed under Step 2.1 of the OECD Garment and Footwear Guidance are included in the guidance produced by the PST. This includes that a company should consider known sector and subsector risks; the products that the enterprise makes or sells; factors within the countries where the company operates or sources that may make sector risks more likely; and how a company's sourcing model or business model may increase or decrease the scope of risks in its supply chain or the visibility of those risks (criterion 32-37).

### Opportunities

- Target 23 currently only refers to social and environmental risks and not to integrity risks (i.e. bribery and corruption).
- The third-party review of Target 23 does not include the factors that a company should consider when scoping risks (see Criterion 34-37). Similarly, while companies are expected to provide a justification for their prioritisation of risk issues<sup>15</sup>, it is not clear that prioritisation should be based on the significance of actual or potential harm (i.e. the likelihood and severity of harm, with severity being measured by the scale, scope and irremediable character of the harm).































- c. The quality of self-assessments and supplier assessment is referenced in guidance documents, but could be better reflected in relevant Targets and the baseline questionnaire. It could also be brought into scope of the third-party review process. “Quality” in this case, refers to indicators that concern how an assessment is developed, how it is carried out (including by whom) and the appropriateness of the assessment to the specific risk (Criterion 49-63).

**Example:** The baseline questionnaire includes the question, “Does your organisation have effective inspection and monitoring mechanisms along the supply chain?”. This question could be strengthened by including a framework for what constitutes “effective inspections” drawing from criterion 49-63. Additionally, as a Yes/No question, the question does not allow for the nuance that is likely the reality in many company supply chains.<sup>16</sup> One primary exception includes cases in which a Target refers to another standard that already incorporates a self-assessment and supplier assessment framework aligned with criterion 49-63. For example, Target 1, “Comply with the ZDHC foundational wastewater standard”, references the ZDHC Wastewater Standard, which incorporates a standard for self-assessments and supplier assessments.<sup>17</sup>

**Example:** The baseline questionnaire does not consider whether the company is assessing suppliers in a way that is commensurate with the extent of the risk (i.e. the degree of verification is commensurate with the potential level of harm) and prioritised based on severity (i.e. the company is focusing on its higher-risk suppliers).<sup>18</sup>

**Table 4. Alignment against Step 2 criterion**

Aligned  Partial  Limited  Not Aligned  Indeterminate 

#	Criterion	WP	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		

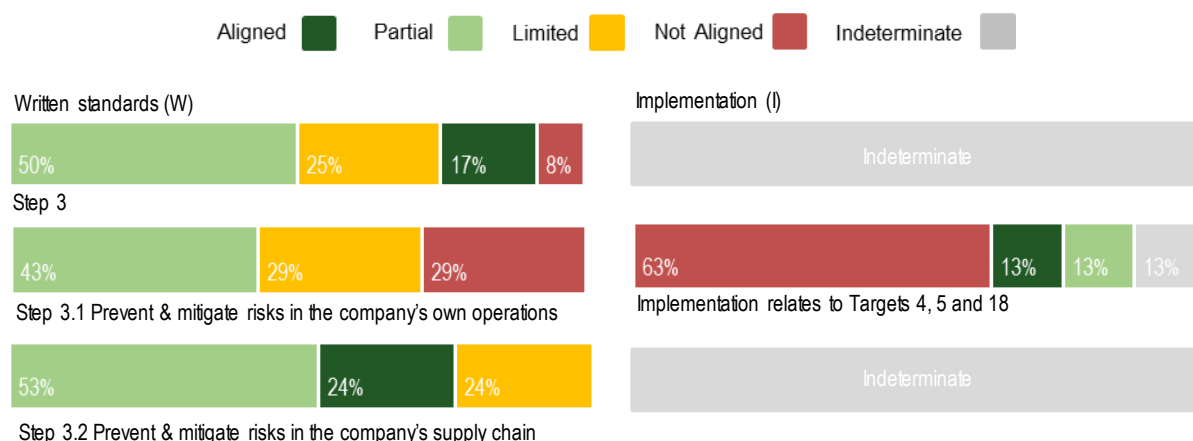
#	Criterion	WP	I
	mitigated.		
48	The enterprise is encouraged to seek external support to conduct a self-assessment if the impact may cause severe harm if not prevented and the prevention measures require technical expertise not available in-house.		
49	The enterprise assesses suppliers who are associated 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.		
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. <sup>i</sup>		
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 (such as human rights) 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 have extensive knowledge on 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.		
62	The assessment team has knowledge of national and international standards related to the adverse impact.		
63	The assessment team have the capability to conduct the assessment within the local context.		
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.		

Note:

i. Alignment score is based on implementation of Target 15, which largely relies on standards holders and includes an on-site assessment as a criterion for recognition.

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

Figure 5. Alignment against Step 3 criteria



### Coverage of Step 3 by the PST

A substantial number of Targets pertain to the prevention and mitigation of harms in a company's supply chain. Many of these are specific to discrete risk issues – such as wages, bribery and corruption, or chemicals – while others are broader in scope. Targets are supported by guidance produced through the PST. The baseline questionnaire likewise includes a substantial focus on ceasing, preventing and mitigating harm in a company's operations and supply chain.

### Strengths

- The requirement for companies to meet mandatory Targets has, in a few cases, encouraged companies to address risks that they had not previously considered or to strengthen their approach to key issues.  
**Example:** One company noted that while it had always included a commitment on wages within its code of conduct, the mandatory target on wages (Target 20) and the guidance from the PST enabled the company to rethink and strengthen its approach to addressing insufficient wages within its supply chain.
- The review process for Targets 1, 5, 6, 9, 10 and 20 incorporates a framework for preventing and mitigating adverse impacts that is broadly aligned with the risk-specific modules within the OECD Garment and Footwear Guidance.
- The PST has included a strong focus on purchasing practices within both the baseline questionnaire and Target 20. The PST has built questions on purchasing practices using the Action Collaboration Transformation (ACT) self-assessment tool.<sup>19</sup> While the content of these questions is aligned with OECD recommendations, they could be strengthened by providing an option to indicate the extent to which these measures are systematic/embedded in the organisation's purchasing decisions (versus occasional practices). The collaboration between ACT and the PST was relatively new during the period of this review. In interviews, stakeholders noted that ACT includes a monitoring framework in its commitments between brands and IndustriALL, which is not integrated into the PST.



## Opportunities

- a. The baseline questionnaire does not provide an indication of whether companies are addressing their most significant risks in the hot-spot locations, as identified and prioritised within the baseline questionnaire.<sup>20</sup>
- b. In most cases, the quality of action is not incorporated into the third-party review process, thus risking a check-the-box approach. While flexibility is an important aspect of due diligence<sup>21</sup>, measures to prevent and mitigate risks should nonetheless be founded in good practice (or best available techniques), engagement with stakeholders (for labour risks) and engagement with experts as necessary. Measures taken should likewise be commensurate with the severity of the harm, both in terms of how quickly action is taken and the extensiveness of those measures.

**Examples:** Target 5 requires companies to “Support producers in the supply chain in improving correct and environmentally sound management practices”. The quality of a company’s actions is not considered in the third-party review process for Target 5. However, the target could be strengthened by integrating the following expectations into the review process:

- Activities should be commensurate with risk (i.e. the activity reflects the severity).
  - Activities are focused on higher-risk suppliers or higher-risk issues. (Criterion 70)
  - In the short term, the enterprise should take immediate actions to prevent any immediate and critical danger and in the longer term seek to develop outcome-oriented solutions that lead to prevention of harm. (Criterion 67)
  - Actions are built on best known practices, including Best Available Techniques. (Criterion 68)
- c. Target 25 and question D.1.3 cover the escalation measures that the company has in place when business partners are not meeting goals under the PST. While escalation is an important part of the due diligence process, both Target 25 and the baseline questionnaire could be strengthened to provide a framework for escalation, including responsible disengagement (See Criteria 86-89), which is currently not adequately addressed by the PST.

**Table 5. Alignment against Step 3 criterion**

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

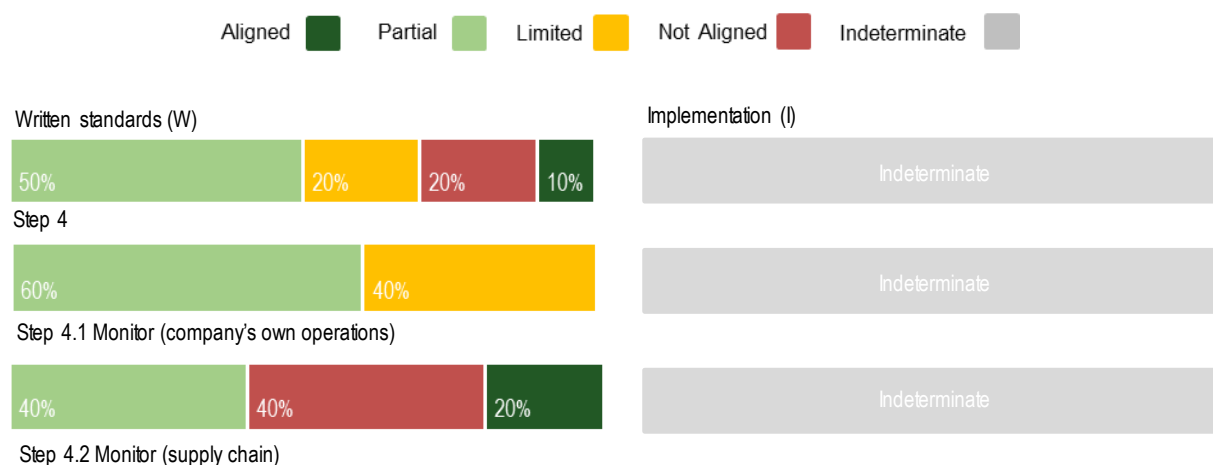
#	Criterion	WP	I
66	The enterprise establishes and implements a plan to prevent and/or mitigate future harm in its own operations.	<span style="color: lightgreen;">■</span>	<span style="color: lightgreen;">■</span>
67	In the short-term the enterprise takes immediate actions to prevent any immediate and critical danger.	<span style="color: yellow;">■</span>	<span style="color: red;">■</span>
68	In the longer-term, the enterprise seeks to develop outcome oriented solutions that lead to prevention of harm.	<span style="color: lightgreen;">■</span>	<span style="color: red;">■</span>
69	The company’s plan to prevent and mitigate harm includes clear timelines for follow up.	<span style="color: lightgreen;">■</span>	<span style="color: gray;">■</span>
70	The measures pursued to prevent and mitigate harm are proportionate to the severity of harm.	<span style="color: yellow;">■</span>	<span style="color: red;">■</span>
71	Based on the level of risk, the enterprise has considered whether to seek expert advice	<span style="color: red;">■</span>	<span style="color: red;">■</span>
72	Workers, trade unions and representatives of the workers own choosing are engaged during the developments of the company’s measures to prevent and mitigate labour-related issues (in the company’s own supply chain)	<span style="color: red;">■</span>	<span style="color: red;">■</span>
73	The enterprise develops and implements its own plan to seek to prevent or mitigate future harm in its supply chain.	<span style="color: lightgreen;">■</span>	<span style="color: green;">■</span>
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 .	<span style="color: green;">■</span>	<span style="color: gray;">■</span>
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.	<span style="color: lightgreen;">■</span>	<span style="color: gray;">■</span>

#	Criterion	WP	I
76	The enterprise has developed pricing models that account for the cost of wages, benefits and investments in decent work.		
77	The enterprise is encouraged to follow existing credible guidance for employers when assessing for risks of harm in its own operations.		
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		
80	The enterprise has a good, local knowledge of its suppliers.		
82	The enterprise may use its leverage to influence its supplier to prevent or mitigate impacts.		
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).		

Note on 73: This indicator is not an indicator of whether the plan is good or appropriate but of whether a plan exists. The quality of a company's actions is addressed in other criteria.

## Step 4. Track

Figure 6. Alignment against Step 4 criteria



### Coverage of Step 4 by the PST

The PST establishes expectations for companies related to Step 4 through Target 24, “Introduce an effective system for verifying and monitoring implementation of the measures for improving the social and ecological conditions in the supply chain”. Target 24 is supported by questions in the baseline questionnaire.

### Strengths



















- a. Target 24 generally aligns with the recommendations under Step 4 of the OECD Garment and Footwear Guidance. The description of Target 24<sup>22</sup> states that companies should carry out the following:
  - Verification that the agreed measures and requirements (e.g. prescribed in a code of conduct or Corrective Action Plan (CAP)) have been implemented (e.g. by the producer’s self-assessment, second-party audit or third-party audit).
  - Measurement of various direct and indirect KPIs for social and ecological conditions.
  - Monitoring the effectiveness of remedial and compensatory measures (e.g. via complaints mechanisms, CAP). For manufacturers also, this Target relates to the supply chain and not to their own operations.

### Opportunities

Because Target 24 is a Target for companies in 2019, its implementation was not reviewed within this assessment. However, the OECD Secretariat noted that, due to the wide scope of the target, a third-party review may prove challenging through a desktop review. The scope of Target 24 includes monitoring of all company environmental and labour risks in a company’s supply chain. Currently relevant details regarding monitoring in the supply chain are not included in the description of the Target but rather in guidance documents produced by the PST. Guidance documents are not an official reference for third-party reviews and therefore do not necessarily form the basis of the evaluation. Target 24 could likewise be broadened to “RBC risks” so as to include bribery and corruption.

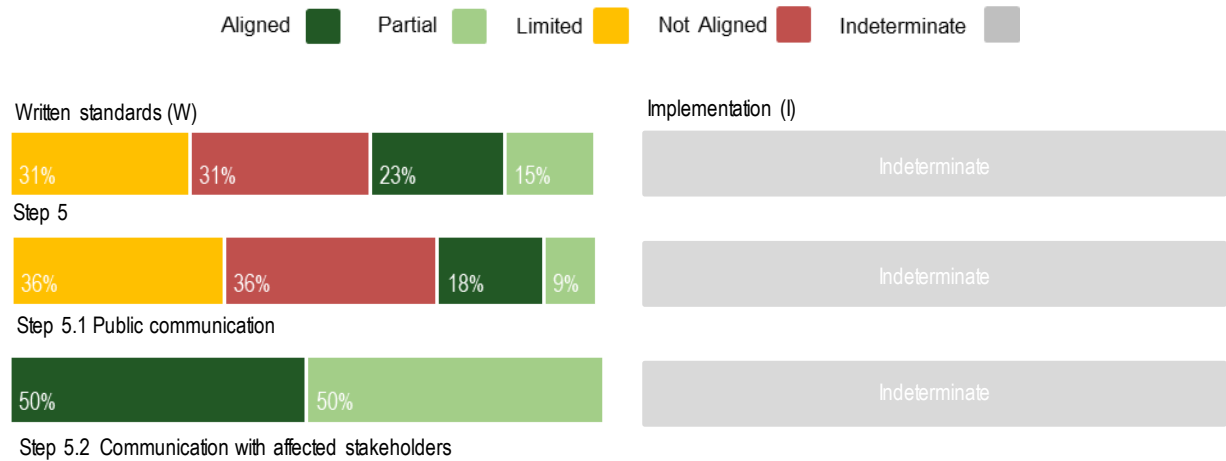
Table 6. Alignment against Step 4 criterion

Aligned  Partial  Limited  Not Aligned  Indeterminate 

#	Criterion	WP	I
91	The enterprise has implemented assurance mechanisms to assess whether its due diligence requirements are being met in its own operations.		
92	The enterprise monitors due diligence and risk management on an ongoing basis using appropriate performance indicators.		
93	The enterprise draws on all known information including data from on-going monitoring, internal periodic assessments, issues raised through grievance mechanisms, etc. to validate that the steps taken by the enterprise are preventing and mitigating impacts.		
94	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.		
95	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 on-going 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

Figure 7. Alignment against Step 5 criteria



Coverage

The PST establishes expectations for members on reporting through Roadmaps and Progress Reports published under the individual responsibility of member companies. Additionally, select questions within the baseline questionnaire and Targets 12 and 14 concern public communication.

Strengths

- a. Reporting through the Roadmaps and Progress Reports could supplement a company’s public due diligence reporting.
- b. The mandatory reporting on select Targets could encourage companies to report on risks for which they have not communicated before.

**Example:** One company indicated that its participation in the PST encouraged it to make public commitments around sustainable cotton for the first time.

Opportunities

- a. **Communication on a company’s supply chain due diligence is only minimally incorporated into the baseline questionnaire.** The following recommendations within the OECD Garment and Footwear Guidance could be better accounted for:
  - The enterprise communicates publicly on its most significant risks in its own operations and within its supply chain. (Criterion 103)
  - The enterprise communicates publicly on its plan to prevent and mitigate harm in its own operations and progress on these measures.<sup>23</sup> (Criterion 106)
  - If relevant, the enterprise communicates publicly on its objectives for government policy engagement and on the outcomes of engagement efforts. (Criterion 108)
  - The enterprise communicates publicly on how it has meaningfully engaged with its stakeholders. (Criterion 109)
  - The enterprise communicates publicly on the processes that provide access to remediation in its own operations. (Criterion 110)

- The enterprise communicates publicly on processes that provide access to remediation in its supply chain. (Criterion 111)
- The enterprise communicates publicly on the collaborative processes with which it engages that facilitate due diligence. (Criterion 112)

b. **Public reporting through the PST in relation to the Roadmaps and Progress Reports cannot currently be a substitute for public communication on due diligence.** There are a number of factors that make the Roadmaps and Progress Reports insufficient to constitute a company's due diligence reporting:

- In some cases Targets are outcome-focused rather than process-focused. As such, companies are not necessarily required to report on the due diligence processes related to these Targets.<sup>24</sup>
- Once a company has achieved a Target, it is no longer required to report on the target through either a roadmap or progress report.
- There is a significant limitation on word count permitted for both Roadmaps and Progress Reports.

**Example:** Companies are expected to establish public goals and report on Target 23, "Analyse the social and ecological risk and the potential effects of the entire business and prioritise the most important risk fields based on several instruments/sources". The OECD Secretariat found that, in a review of a random sample of ten Roadmaps, company communication on Target 23 was insufficient to meet OECD due diligence recommendations for publicly communicating on a company's processes for assessing risks (Criterion 104). This may have been partially – or mostly – due to the fact that companies within the PST are expected to report within a highly restrictive character limit that does not allow a more comprehensive description of the company's approach.

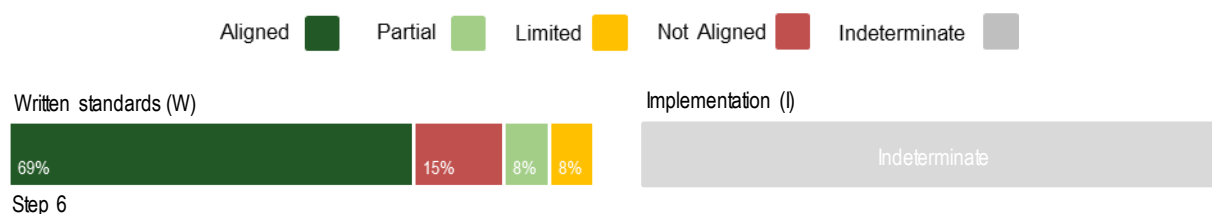
**Table 7. Alignment against Step 5 criterion**

Aligned ■ Partial ■ Limited ■ Not Aligned ■ Indeterminate ■

#	Criterion	WP	I
101	The enterprise communicates publicly on its supply chain due diligence.	Aligned	Aligned
102	The enterprise communicates publicly on its due diligence management systems.	Limited	Indeterminate
103	The enterprise communicates publicly on its most significant risks in its own operations and within its supply chain.	Not Aligned	Limited
104	The enterprise communicates publicly on its processes for assessing risks	Limited	Limited
106	The enterprise communicates publicly on its plan to prevent and mitigate harm in its own operations and progress on these measures.	Partial	Limited
107	The enterprise communicates publicly on its plan to prevent and mitigate harm in its supply chain, and progress on those measures.	Limited	Limited
108	If relevant, the enterprise communicates publicly on its objectives for government policy engagement and on the outcomes of engagement efforts.	Not Aligned	Indeterminate
109	The enterprise communicates publicly on how it has meaningfully engaged with its stakeholders.	Not Aligned	Indeterminate
110	The enterprise communicates publicly on the processes that provide access to remediation in its own operations	Limited	Indeterminate
111	The enterprise communicates publicly on processes that provide access to remediation in its supply chain.	Not Aligned	Indeterminate
112	The enterprise communicates publicly on the collaborative processes with which it engages that facilitate due diligence.	Not Aligned	Indeterminate
113	The enterprise communicates publicly, at a minimum, on an annual basis.	Aligned	Aligned
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.	Partial	Limited
116	The enterprise is prepared to communicate on how it addresses its human rights impacts	Aligned	Indeterminate
117	If the enterprise's operations or operating contexts pose risk of severe human rights impacts, the enterprise reports formally on how they are addressed.	Partial	Indeterminate
118	Communications are accessible to impacted stakeholders	Aligned	Indeterminate

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

Figure 8. Alignment against Step 6 criteria



### Coverage of Step 6 by the PST

The following Targets form the basis of the PST's expectations for companies related to the provision of remedy:

- Target 17. Establish a process or procedure for handling cases of child labour and/or forced labour (including access to redress).
- Target 21. Initiate or participate in a measure that aims to improve employees' access to complaints mechanisms.
- Target 22. Set up an effective complaints mechanism.

Targets are supported by questions within the baseline questionnaire and guidance.

### Strengths

- The PST places a strong emphasis on the provision of remedy, as demonstrated by the alignment score for written standards (9 out of 13 Targets were considered to be aligned).
- Relevant Targets and guidance documents include recognition that processes to provide for remedy should integrate the effectiveness criteria of the UN Guiding Principles on Business and Human Rights and that processes to provide for remedy can cover risks beyond human rights, including bribery and corruption.

### Opportunities

- There is concern that a document review will be insufficient for evaluating the plausibility of the effectiveness of a company's grievance mechanism. Without a critical review of the effectiveness of a grievance mechanism, Targets 17, 21 and 22 could become check-the-box exercises.
- The PST could provide a stronger framework for what constitutes effective remedy within the context of meeting Targets including that remedy should be consistent with national laws and international guidelines and standards, where available, and that the company should engage with the affected stakeholder in determining the remedy.

**Example:** In the case of child and forced labour (Target 17), the remedy should include a process by which crimes can be reported.<sup>25</sup> In the review of Target 17 in 2018, companies were not evaluated on whether affected parties were engaged in the determination of remedy.



























- The PST could provide a stronger framework for understanding "access" to complaints mechanisms within Target 21.

**Example:** Target 21 could be strengthened by recommending that the company engage with affected stakeholders in understanding current barriers to accessing grievance mechanisms and establishing appropriate responses to meeting those constraints. Furthermore, Target 21 could be strengthened by

providing a framework for action on what constitutes “accessibility” in the Target itself or by making reference to the existing guidance document by the PST.

**Table 8. Alignment against Step 6 criterion**

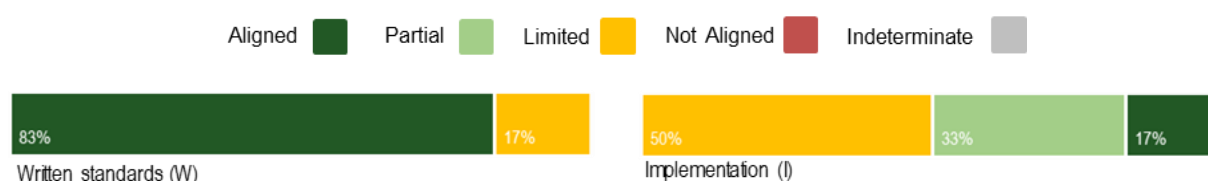
Aligned  Partial  Limited  Not Aligned  Indeterminate 

#	Criterion	WP	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).		
121	Where a grievance mechanism is established, it is based on the core criteria of legitimacy		
122	Where a grievance mechanism is established, it is based on the core criteria of accessibility		
123	Where a grievance mechanism is established, it is based on the core criteria of predictability		
124	Where a grievance mechanism is established, it is based on the core criteria of equitability.		
125	Where a grievance mechanism is established, it is based on the core criteria of transparency		
126	Where a grievance mechanism is established, it is based on the core criteria 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		
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	Remedy seeks to restore the affected person(s) to the situation they would be in had the harm not occurred.		
133	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.		



## 4. Collaboration

Figure 9. Alignment against collaboration criteria



Note: Ratings on collaboration are not included in the overarching alignment score.

### Strengths

- Business, civil society, government and trade union representatives expressed that the PST is increasingly playing an important role in helping to share information on best practices and emerging risks. One business representative expressed that the PST should be a one-stop shop for the textile industry in Germany. Stakeholders pointed to the important role that the PST could continue to play (and is increasingly playing) in being a source of information for companies on best practice, emerging risks, etc.
- The PST has been flexible to collaborate with other organisations to promote access to effective programmes, trainings, etc. for member companies. The PST has also deeply integrated recognition of existing standards holders and other initiatives into the baseline questionnaire and third-party review process. Business representatives pointed to the importance of the PST in enabling and facilitating recognition and participation in existing solutions (where available).
- All stakeholder groups emphasised that the PST provides a platform for dialogue between stakeholder groups within Germany. A number of business representatives pointed to the PST as being the only platform by which they are able to hear the perspectives and concerns of German civil society members.

### Opportunities













- The PST represents roughly 50 per cent of the German market and therefore could represent a strong point of leverage in key producing economies. Members from business, standards holders and trade unions strongly pointed to the potential role that the PST could play at a more strategic level in using 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. Using leverage at a more strategic level to promote sector-wide change (i.e. rather than at a project level) was continuously raised as being viewed as the way forward for the PST.
- As the PST seeks to scale up effective measures, it is encouraged to not cherry-pick elements. For example, while the PST is seeking to scale up the use of the ZDHC Wastewater Standard, it is

unclear whether companies are expected to use ZDHC-accepted laboratories. Adopting a standard but not the rigour developed in implementing or monitoring that standard could reduce the effectiveness of those measures. (See also “Recognition”).

- Facilitating stakeholder engagement between business and workers in key producing countries could become a stronger aspect of the PST’s mandate.<sup>26</sup> This was emphasised across stakeholders as an opportunity for the PST.

**Table 9. Evaluation against collaboration criterion**

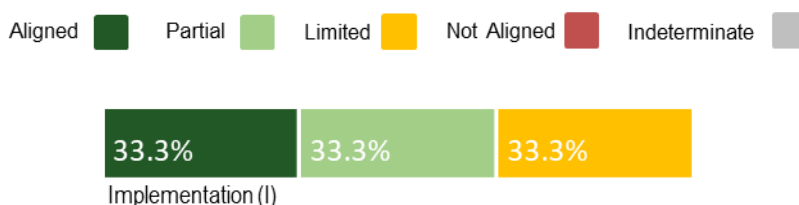
Aligned  Partial  Limited  Not Aligned  Indeterminate 

#	Criterion	W	I
136	Pool information		
137	Increase leverage		
138	Scale-up effective measures		
139	Increase transparency		
140	Reduce audit fatigue by carrying out shared assessments, sharing assessment findings, and recognising existing assessments where feasible. (1)		
141	Enable stakeholder engagement		

Note: (1) The PST is seeking to reduce assessment fatigue by collaborating with the Sustainable Apparel Coalition and the Dutch Agreement on Sustainable Garments and Textiles and to and by recognizing the engagement of member companies in other initiatives and standards.

## 5. Accountability

Figure 10. Alignment against accountability criteria



Note: Ratings on accountability are not included in the overarching alignment score.

### Strengths

- a. Interviews with those conducting the third-party review indicated a strong perception of goodwill by companies to meet the expectations of the PST.
- b. In a review of the public communication of six member companies about the PST, member's statements accurately represented the scope of activities and results of the PST.

### Opportunities

- a. **Interviews with select businesses, civil society and others revealed a perception of free-riding by some business members.** The perception was not widespread but was strong among a minority of interviewees. This may indicate a lack of adequate "ownership" by member companies in the broader objectives of the PST beyond reporting, such as pooling earnings and leverage. It is broadly recognised across stakeholders that the PST is an evolving MSI and that trust is still being built between stakeholders, which may affect company engagement levels.<sup>27</sup>
- b. **Some members did not demonstrate an adequate understanding of the complexity of select Targets and the comprehensiveness of measures necessary to address them.** Almost all businesses and standards holders interviewed shared a perspective that tTargets represent "minimum" requirements. Almost all businesses interviewed stated that the baseline questionnaire and tTargets have not driven changes (or have driven only very minimal changes) in the practices of their company. Rather, companies tend to fit tTargets into their existing due diligence strategies. It is important to note that further questioning in some cases revealed that more substantive changes had been made. Additionally, it is the perception of the OECD that interviews with business represented those business members of the PST that have been engaging in responsible business conduct for some time and that there is therefore a bias in this reporting. Nonetheless, the perception that the baseline questionnaire and Targets are basic requirements is prevalent.<sup>28</sup> However, while Targets do touch on issues which have been addressed in the garment and footwear sector for some time, they likewise draw attention to very complex issues that – based on the experience and stakeholder engagement of the OECD Secretariat – are not "minimum

requirements” but in reality are extremely difficult to implement if done so in a way that is commensurate with the risk, builds on best practices and incorporates worker engagement.

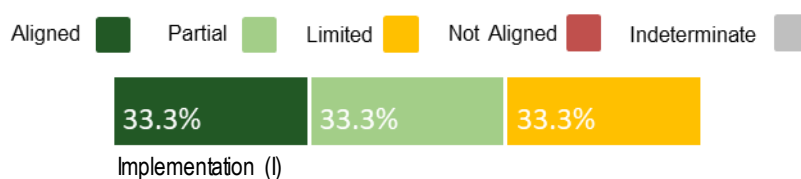
**Example:** Target 17 requires companies to “Establish a process or procedure for handling cases of child labour and/or forced labour (including access to redress)”. While companies may have robust processes for handling child labour, the provision of remedy for workers in forced labour remains a major challenge for the industry, particularly as it relates to migrant workers that have paid informal recruitment fees in their home countries. Establishing processes to report illegal activity is likewise not ubiquitous in the sector. The current structure of the baseline questionnaire and the Targets – which generally do not include an emphasis on the quality of the measures – could potentially be hindering an accurate company self-evaluation on these topics.

**Table 10. Alignment against accountability criterion**

<div> <div>Aligned</div> <div>Partial</div> <div>Limited</div> <div>Not Aligned</div> <div>Indeterminate</div> </div>		
#	Criterion	I
142	Where the enterprise participates in a collaborative initiative it considers how it might contribute towards its effectiveness.	
143	Where the enterprise participates in a collaborative initiative it understands which components of due diligence the initiative is helping to facilitate.	
144	Where the enterprise participates in a collaborative initiative it represents the scope and results of the initiative accurately	

## 6. Governance

Figure 11. Alignment against governance criteria



Note: Ratings on governance are not included in the overarching alignment score.

### Strengths

- a. The PST has a formalised governance which is overseen by a Steering Committee, inclusive of member representatives from all stakeholder groups involved in the partnership.
- b. The PST has a process for regular updates through the Annual Report, members' meeting, newsletter and through the website's members' area.
- c. The PST has a process for monitoring and evaluating the achievement of objectives through the score report, which presents the overall results of the review of the Progress Reports and Roadmaps.
- d. The PST has given consideration to where there could be actual or perceived conflicts of interest between members and evaluators by setting a methodical approach to the report's review, which involves a two-step cross-checking procedure shared between two independent external evaluators.




### Opportunities

- a. Where the PST engages substantially with potentially affected stakeholders and/or where the PST carries out activities on behalf of members, for example through partnership initiatives, it is encouraged to consider the following:
  - While the PST established an internal and informal process when issues were raised in two cases, it does not have a public-facing process by which stakeholders can raise concerns.
  - Establish 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. This is most relevant for collaboration initiatives whereby impacts may be raised and should be addressed in a timely manner.

- b. The initiative could give stronger consideration to actual or perceived conflicts of interest. For instance, actual or perceived conflicts of interest could arise from the fact that the partnership has recognised standards as credible means of evidence of Target pursuit. As the Steering Committee includes representatives from standards organisations, there could be a perceived conflict of interest, especially if the representative of a standards organisation pushes for the adoption of its own set of standards as means of evidence.
- c. It is noted that the PST is considering pursuing the establishment of a grievance mechanism as part of a future partnership initiative. In this case, the PST is strongly encouraged to consult with experts in the design and development of the mechanism to ensure that it meets the effectiveness criteria in the OECD Garment and Footwear Guidance (or the United Nations Guiding Principles on Business and Human Rights (UNGPs)). The involvement of impacted parties in the design process is one of the key elements to establish legitimacy.
- d. Across stakeholder groups, it was raised that the decision-making process of the Steering Committee is not clear. Specifically, stakeholders raised concerns that there is a lack of clarity on both why the Steering Committee takes decisions that counter those of the working groups and why Targets are established. It is noted, however, that each stakeholder group is represented on the Steering Committee and so this may not be a challenge of governance but rather of communication channels within stakeholder groups.

**Table 11. Alignment against governance criteria**

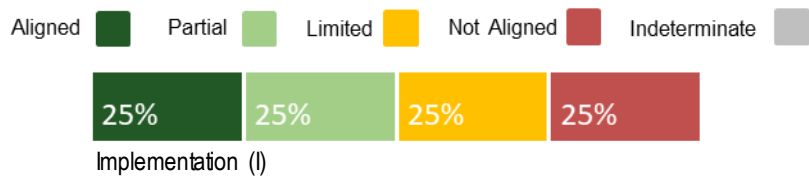
Aligned  Partial  Limited  Not Aligned  Indeterminate 

#	Criterion	I
145	The initiative has established a functioning and accessible grievance mechanism that enables stakeholders to raise concerns relating to the initiative itself.	
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.	
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.	

Notes: I indicates scores against implementation. Criterion 145 and 146 were not within scope because they are not yet applicable to the activities of the PST, with exception of the collaborative initiative in Tamil Nadu. If the PST expands its engagement in key producing markets or with affected stakeholders, these criterion will become important.

# 7. Recognition

Figure 12. Alignment against recognition criteria



Note: Ratings on recognition are not included in the overarching alignment score.

The PST assesses and recognises select standards holders and initiatives within the baseline questionnaire and for the achievement of select Targets. The purpose of recognition is to avoid duplication of reporting requirements for member companies that are already reporting through other initiatives. Recognition likewise intends to demonstrate how standards and / or initiatives can support a company’s due diligence efforts.

In practice, member companies may rely on approved standards or initiatives to demonstrate the meeting of natural fibre requirements and select Targets. Companies may likewise indicate if they are participating in an initiative or have achieved a particular standard when completing the baseline questionnaire. The recognition process of standards holders relies substantially on Siegelklarheit, a government-backed database that reviews standards against a large number of governance and content criteria.

The OECD Alignment Assessment Tool does not currently include distinct criteria for evaluating recognition processes. However, the OECD Secretariat recognises the role that recognition of existing standards can play in reducing the reporting and auditing burden. At the same time, the OECD Secretariat recognises the importance of ensuring that standards are aligned with OECD due diligence guidance and the objectives of the initiative (i.e. the PST). **Within this context, the OECD Secretariat developed four additional criteria pertaining to recognition to support the evaluation of the recognition processes within the PST.** The scope of this review included the criteria and process for establishing recognition under the PST, including cross-checking a selection of recognised standards holders against the requirements of the PST. The OECD Secretariat did not carry out individual alignment assessments of the standards holders recognised by the PST. This assessment was intended to be preliminary, provide direction to the PST and indicate where further evaluation may be beneficial. It is not intended to be a comprehensive assessment.

Table 12. Evaluation against recognition criterion

Aligned Partial Limited Not Aligned Indeterminate		
Topic	Criterion	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 standard holder ensures its requirements are implemented.	
Monitoring	A process exists for monitoring and review of the standard's requirements and implementation activities.	

## Strengths

- a. Enabling the recognition of standards and initiatives that are aligned with OECD due diligence guidance can be beneficial and supportive of due diligence. As noted above, standards can be a tool that companies use to support the evaluation of suppliers and reduce audit burdens and due diligence costs. Standards also play an important role in company due diligence upstream where many companies lack visibility. The OECD Secretariat has found that standards likewise play an important role in the due diligence systems of small and medium-sized enterprises. Similarly, collaborative initiatives are referenced throughout the OECD Garment and Footwear Guidance as a means of scaling leverage, reducing costs, pooling knowledge and driving sector-wide solutions.
- b. The PST has established a systematic, documented and replicable process for reviewing and recognising relevant standards.

## Opportunities

- a. The OECD Secretariat noted that a number of the due diligence criteria – particularly those related to how activities are carried out – are not within the scope of Siegelklarheit. For example, Siegelklarheit does not evaluate how audits and supplier assessments are conducted such as: whether multiple data points are used to assess a situation for risks of harm that are subjective (Criterion 52); whether the assessment is adapted to the local context and corresponds to the potential risk (Criterion 51); whether the assessment team has the knowledge of national and international standards related to the adverse impacts being assessed (Criterion 53).<sup>29</sup>
- b. In some limited cases, the scope of recognition seems to extend beyond the scope of the standard's activities. For example, Fair Wear Foundation members are recognised with total compliance for Target 17, "Establish a process or procedure for handling cases of child labour and/or forced labour (including access to redress)". However, membership of Fair Wear Foundation is not predicated on a procedure for handling child labour. This is particularly true when looking beyond a company's contractual suppliers where child labour and forced labour may be a higher risk.
- c. In a few cases, the achievements of standards are Targets themselves. This can likewise be a form of recognition by the PST. However, in select cases, the requirements integrated into the target are less robust than the requirements of the standard. For example, in the achievement of Target 1, "Comply with the ZDHC foundational wastewater standard", companies need to provide "evidence of checks or a specimen test". However, companies are not required to demonstrate that the specimen test has been reviewed by an approved laboratory, which is integrated into the ZDHC Wastewater Standard.
- d. The PST could establish a process for monitoring standards holders and their activities. For example, the PST could establish a process by which complaints can be raised that a particular standards holder recognised under the PST is not fulfilling the expectations of the linked Targets.



## 8. Recommendations

### Overarching recommendations

- 1. Integrate meaningful engagement with stakeholders as part of the due diligence process throughout the baseline questionnaire and relevant Targets.**

**Example:** This could be achieved by including a policy commitment to meaningful stakeholder engagement within the baseline questionnaire; integrating meaningful stakeholder engagement in the development of and implementation of measures to support suppliers in implementing the PST's social Targets (see Target 18); integrating meaningful stakeholder engagement in monitoring due diligence (Target 24); including the expectation that affected stakeholders are engaged in the determination of remedy (Target 17).

- 2. Integrate an analysis of whether companies are carrying out measures that are commensurate with the severity of the issues that they are facing in their own operations and in their supply chains throughout the baseline questionnaire and include an expectation that companies consider actions that are commensurate with the risk in the review process for Targets.**

**Example:** Target 18, "Support producers in implementing the PST's social Targets" could include a framework in which companies are expected to support producers in a way that is commensurate with the risk that they are addressing. For instance, a single management training session on a company's policies would be insufficient to address high fire safety risks. Considerations in this regard include: whether immediate actions are required to prevent immediate and critical danger; whether in the longer term outcome-oriented solutions that prevent harm are being pursued; whether actions are building on best known practices and involving experts and stakeholders as necessary. See also Recommendation 9.

- 3. Strengthen the risk-based approach to be based on the severity and likelihood of impacts on people and the environment and integrate it into all relevant Targets. Severity is determined as the scale, scope and irremediable character of the harm.**

**Example:** Strengthen the alignment under Target 23, the baseline questionnaire and corresponding guidance documents produced by the PST in relation to the high-level scoping and prioritisation of risks.

**Example:** Mandatory and recommended Targets could better drive towards the assessment of suppliers that pose higher risks. For instance, this may be most relevant for Targets 7 and 15 but may also be relevant for Targets 9 and 24.<sup>30</sup>

- 4. Strengthen the PST's approach to integrate due diligence that is appropriate to a company's circumstances.**

**Example:** Target 19 could be strengthened by also considering pre-qualification measures for agents sourcing on the company's behalf. See Box 5 of the OECD Garment and Footwear Guidance for further information. Implementing control measures on buying agents in cases in which companies have limited visibility over their supply chain is relevant across a range of Targets.

5. **Integrate questions on how companies are applying a gender lens to due diligence processes into the baseline questionnaire and encourage companies to consider gender in the implementation of relevant Targets.**

**Example:** the PST could integrate a gender lens into the following Targets: 18, 20, 21, 22, 23, 24 and the baseline questionnaire.

## Step-specific recommendations

### Step 1

6. **Integrate all policy recommendations in the OECD Garment & Footwear Guidance (i.e. beyond the issues covered in the Goals of the PST) such as commitments to meaningful engagement with stakeholders and commitments to responsible sourcing, in the baseline questionnaire and relevant Targets. Integrate recommendations regarding the process for establishing and updating policies into relevant Targets (e.g. Targets 8, 14 and 17) and baseline questions.**
7. **Integrate an expectation of policies and management systems as foundational elements to achieving Targets.** This applies to a wide range of Targets but particularly those that relate to the achievement of specific environmental standards.

**Example:** Target 1 could include the expectation of a complementary chemical policy and management system to implement and monitor the ZDHC Wastewater Standard.

**Example:** The focus of Target 3 could be on communicating on a company's policy on chemicals, including specific expectations of producers and business partners, alongside the MRSL (i.e. the company's chemical policy should not be divorced from the MRSL).

### Step 2

8. **While retaining appropriate flexibility, integrate considerations (or a framework) for driving towards quality self-assessments and supplier assessments into both the relevant Targets and baseline questionnaire.** "Quality" in this case, refers to how an assessment is developed, how it is carried out (including by whom) and the appropriateness of the assessment to the specific risk.

**Example:** Expectations that could be integrated to account for the quality of assessment could include the following: The nature of the assessment should correspond to the potential risk and be adapted to the local context. For labour and human rights issues, workers should be involved in the design of assessments. For risks of harm which are subjective (such as human rights) multiple data points are used to assess the situation. The assessment team should have extensive knowledge on 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. They should likewise have a knowledge of national and international standards related to the adverse impact and should be able to carry out the assessment within the local context.

### Step 3

9. **While retaining some flexibility, integrate considerations (or a framework) for driving towards quality measures into Targets related to preventing and mitigating impacts in the company's own operations and in its supply chain.** Measures to prevent and mitigate risks should be founded in good practice (or best available techniques), engagement with stakeholders (for labour risks) and engagement with experts as necessary. Measures taken should likewise be commensurate with the severity of the harm both in terms of how quickly action is taken and the extensiveness of the measures

taken. The baseline questionnaire could likewise be strengthened to focus on the quality of a company's approach to prevent and mitigate risks in its own operations and in its supply chain.

#### **Step 4**

- 10. While retaining appropriate flexibility, integrate considerations (or a framework) for driving towards monitoring and verification that is commensurate with the risk.**

#### **Step 5**

- 11. Strengthen expectations around communicating on a company's due diligence in line with the OECD Garment and Footwear Guidance.**

**Example:** Strengthen questions on communicating on a company's due diligence within the baseline questionnaire to better reflect the full range of recommendations under the OECD Garment and Footwear Guidance.

**Example:** If Roadmaps and Progress Reports are intended to contribute towards a company's public reporting on due diligence, the format in which companies report could be revised so that this can be better facilitated while also allowing for recognition/integration of existing public communication.

#### **Step 6**

- 12. Integrate a stronger framework on the effectiveness criteria of grievance mechanisms.**

**Example:** This could be achieved by expanding upon the questions asked in the baseline questionnaire and through the evaluation of Targets. Furthermore, the PST could evaluate further whether a document review will be sufficient for evaluating the plausibility of the effectiveness of a company's grievance mechanism.

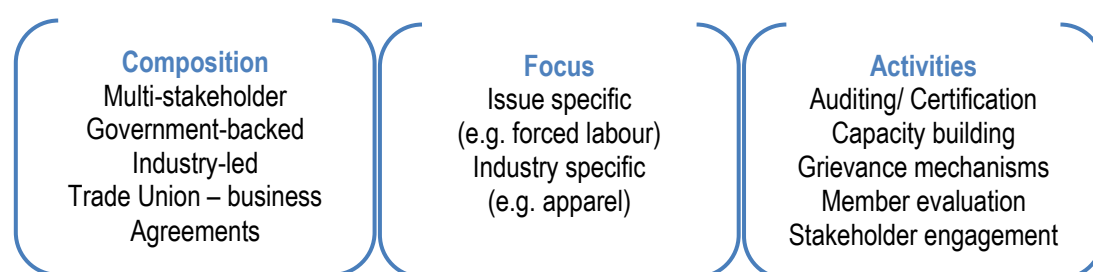
- 13. Provide a stronger framework for evaluating whether companies have a process to provide "effective" remedy in the review process.** This would include a review that the remedy is consistent with national laws, guidelines and standards where they are available and, in relation to child and forced labour (e.g. in relation to Target 17), processes are enabled to report crimes. This likewise includes consideration on whether remedy has been determined in consultation with the affected party and seeks to restore the affected party in the third-party review process.

## Annex A. About OECD Alignment Assessments

### Context

Industry programmes and multi-stakeholder initiatives play an important role in helping companies 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 Figure below).

**Figure. 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 is 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 member 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 to 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 criteria 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 5-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 provides 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 programmes<sup>1</sup> 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.<sup>2</sup> The assessment of the PST for Sustainable Textiles is the second pilot Alignment Assessment of industry and multi-stakeholder programmes for the garment and footwear sector.

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<sup>1</sup> Minerals Alignment Assessment report of five industry programmes: <https://mneguidelines.oecd.org/Alignment-assessment-of-industry-programmes-with-the-OECD-minerals-guidance.pdf>

<sup>2</sup> 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>

## Annex B. List of mandatory and recommended Targets

#	Wording of the Target	Year
1	Comply with the ZDHC foundational wastewater standard	2018
2	Communicate the ZDHC foundational wastewater standard to 100% of producers and business partners.	2019
3	Communicate the MRSL plus supporting information to 100% of producers and business partners for implementation and forwarding to the supply chain. (DONE)	2018
4	100% of the chemical products used comply at least with the ZDHC MRSL*	2018
5	Support producers in the supply chain in improving correct and environmentally sound management practices.	2018, Annually
6	Implement a measure for improving the ZDHC-compliance of chemical products used in the supply chain.	2019, Annually
7	Increase from X to Y the number of manufacturers with wet processing that use only chemical products that comply with ZDHC	Recommended
8	Commit to zero tolerance of all forms of corruption including blackmail and bribery in the organisation and in its supply chain	2019
9	Combat all forms of corruption including blackmail and bribery in the organisation, and against producers and business partners, and also step-by-step in the deeper supply chain	2020
10	Combat all forms of corruption including blackmail and bribery in the deeper supply chain.	Recommended
11	Systematically record all business partners and producers	2018
12	Systematically record and publish all business partners and producers.	Recommended
13	Record additional stakeholders in the deeper supply chain	Recommended
14	Publish a written policy on new wool, including a position against mulesing	2018
15	Increase the proportion of sustainable cotton to X%, Y% of it organic cotton	2018, Annually
16	Oblige all producers and business partners to comply with the PST's social Targets	2018
17	Establish a process or procedure for handling cases of child labour and/or forced labour (including access to redress)	2018
18	Support producers in implementing the Partnership's social Targets	2018
19	Select suppliers and award contracts in consideration of the identified social risks and potential adverse effects.	2019
20	Initiate or participate in a measure that aims for the payment of living wages to employees in producer countries	2019, 2020
21	Initiate or participate in a measure that aims to improve employees' access to complaints mechanisms	2019
22	Set up an effective complaints mechanism	Recommended
23	Analyse the social and ecological risk and the potential effects of the entire business and prioritise the most important risk fields based on several instruments/sources.	2018, and continuously
24	Introduce an effective system for verifying and monitoring implementation of the measures for improving the social and ecological conditions in the supply chain	2019
25	Establish a procedure for handling violations of the company's own requirements by business partners and producers	2020
26	Implement measures to raise awareness of sustainable textile production	2018, Annually
27	Prohibit unauthorised sub-contracting by producers and business partners	Recommended
28	Participate in a Partnership Initiative	Recommended

## Annex C. Data collection

### Interviews

Interviews were conducted from February to April 2019. During this period a total of 24 phone interviews were carried out. Interviews were conducted by three representatives of the OECD Secretariat (2 English speaking and 1 German speaking) and one consultant (German speaking).

	Business	Trade unions	Civil society	Government	Standards holders	Secretariat	3 <sup>rd</sup> party review
<b># of interviews</b>	9 Follow-up written questions with 2 companies	2	6	1	3	2 2 interviews were conducted with 2 of the same representatives	1 phone call 1 set of written questions

### Shadow Assessments

The OECD Secretariat conducted shadow assessments in June 2019 of the third-party review. Through shadow assessments, the OECD accessed the data provided by companies as well as the review provided by the third-parties. This was conducted with agreement from





## Annex D. Methodological Considerations

### Methodological considerations

#### *Written standards: Evaluating criterion from 1-4*

The considerations for evaluating criterion 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 PST. The evaluation of each individual criterion does require judgement on the part of the OECD Secretariat.

Score	1 <i>Not Aligned</i>	2 <i>Limited Alignment</i>	3 <i>Partially Aligned</i>	4 <i>Aligned</i>	<i>Indeterminate</i>
<b>General considerations</b>	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 are aligned	The criterion is fully and explicitly addressed in the programme's policies, standards, procedures or other formal documentation.	Not applicable
<b>Applied to the PST</b>	<b>PST</b> The criterion could not be found in any written document (i.e. baseline questionnaire, Targets & their descriptions, guidance documents)	<b>PST</b> <ul style="list-style-type: none"> <li>The criterion was incorporated into guidance documents but not the baseline or the Targets;</li> <li>The criterion was included in the baseline but did not sufficiently cover the scope or spirit of the criterion;</li> <li>The criterion was included in the Target but lacked sufficient description</li> </ul>	<b>PST</b> <ul style="list-style-type: none"> <li>The criterion was incorporated into the baseline or the Targets but the corresponding expectations were not included in the ;</li> <li>The criterion was included in the baseline but did not sufficiently cover the scope or spirit of the criterion;</li> <li>The criterion was included in the Target but lacked sufficient description</li> </ul>	<b>PST</b> The criterion is fully covered by the baseline questionnaire and/or the Target (including it's description under document 31); The criterion is fully covered taking into consideration the baseline questionnaire and/or the Target alongside support guidance documents. (i.e. If a criterion was referenced in the Target, but the Target itself lacked a sufficient explanation, an explanation provided in the guidance document could be sufficient for bringing the Target into alignment)	Not applicable

### Implementation: Evaluating criterion from 1-4

The considerations for evaluating criterion 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 PST. The evaluation of each individual criterion does require judgement on the part of the OECD Secretariat.

Score	1 Not Aligned	2 Limited Alignment	3 Partially Aligned	4 Aligned	Indeterminate
<b>Ratings for implementation</b>	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.
<b>Considerations related to the PST</b> <i>*These are general guidelines</i>	<b>PST</b> In relation to Targets: The criterion was not found to be evaluated by the 3 <sup>rd</sup> party review. In relation to Roadmaps and Progress Reports (step 6) Roadmaps and Progress Reports did not help meet the criterion	<b>PST</b> In relation to Targets: The criterion was partially evaluated in the 3 <sup>rd</sup> party review, but with major gaps or inconsistencies in terms of the scope and intent of the criterion. In relation to Roadmaps and Progress Reports (step 6) Roadmaps and Progress Reports touched on the criterion (i.e. the topic) but did not help companies meet the criterion	<b>PST</b> In relation to Targets: The criterion as evaluated in the 3 <sup>rd</sup> party review process, but was missing some limited elements In relation to Roadmaps and Progress Reports (step 6) Roadmaps and Progress Reports helped companies meet the criterion, but were insufficient	<b>PST</b> In relation to Targets: The criterion could not be found in any written document (i.e. baseline questionnaire, Targets & their descriptions, guidance documents) In relation to Roadmaps and Progress Reports (step 6) Companies and Roadmaps fully helped companies meet the criterion	<b>PST</b> <ul style="list-style-type: none"> <li>The Target has not yet been implemented</li> <li>The guidance for evaluating the Target is still being developed (e.g. Targets 1 and 4)</li> <li>There is insufficient data to evaluate the Target</li> </ul>

## Methodology

The OECD evaluates an initiative on what it claims to be covering in relation to due diligence, however, cherry picking should be avoided.

In relation to the PST:

- If a mandatory or Recommended Target related only to one discrete sub-step of the due diligence process, it was evaluated against the whole of that sub-step and/or other relevant due diligence processes .
- If a mandatory or Recommended Target addresses a specific issue, it was evaluated against all due diligence steps to the extent relevant.

The OECD will only provide a due diligence score in relation to a specific step of the due diligence process if a vast majority of the criterion have been evaluated. In cases in which a sufficient number of criterion have not been evaluated, a score will not be provided for the step (or the sub-step). When a score has not been provided this is indicated by “Indeterminate”.

The OECD does not take a stance on whether requirements are mandatory or recommended unless it directly impedes or enables a company to carry out due diligence.

Any guidance for evaluating a member (i.e. guidance for the appraisal team) is considered separately from the written standards and implementation, however, it can provide evidence on implementation.

Changes to the Alignment Assessment Tool during the Pilot

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

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

# Notes

<sup>1</sup> 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.

<sup>2</sup> The Alignment Assessment Tool is provided to the Partnership for Sustainable Textiles in a separate document.

<sup>3</sup> Federal Ministry for Economic Cooperation and Development, “The Partnership for Sustainable textiles”, [https://www.bmz.de/en/publications/topics/health/booklet\\_textiles.pdf](https://www.bmz.de/en/publications/topics/health/booklet_textiles.pdf)

<sup>4</sup> Partnership for sustainable textiles, Members , <https://www.textilbuendnis.com/en/uebersicht/>

<sup>5</sup> In light of the newness of partnership initiatives, their implementation was not included within the scope of the Alignment Assessment.

<sup>6</sup> See Question C.1.2 of the Baseline questionnaire

<sup>7</sup> See Question D.1.4 of the Baseline questionnaire

<sup>8</sup> See Target 19

<sup>9</sup> This language could be strengthened to indicate that the risk assessment could be triggered not only with changes to the company, but also the environment in which the company is operating or sourcing (e.g. changes to migration flows, major changes to legislation, etc.). The Baseline questionnaire does not currently include questions which would allow for an analysis of this.

<sup>10</sup> Although it should be noted Target 22 appropriately recognises that effective grievance mechanisms should be dialogue-based

<sup>11</sup> For example, Target 8 requires companies to “Commit to zero tolerance of all forms of corruption including blackmail and bribery in the organisation and in its supply chain”. This target could be strengthened by including expectations on how such a policy should be developed, including that: the policy should be developed and informed by relevant internal and external expertise (Criteria 20); and that it should be approved at the most senior level of the enterprise (Criteria 21). For companies that already have a policy on bribery and corruption, Target 8 could be revised to state that such companies should build on their increasing knowledge about bribery and corruption to update their existing policies as appropriate (Criteria 22).

<sup>12</sup> ZDHC refers to Zero Discharge of Hazardous Chemicals

<sup>13</sup> Criteria 18 is only *encouraged* within the OECD Garment and Footwear Guidance.

<sup>14</sup> Although guidance produced in 2018 by the PST states that “in the case of brands, retailers or other purchasers: include a commitment on responsible procurement practices in order to prevent negative impacts from your own procurement processes”, a commitment to responsible sourcing practices is not included in the Baseline questionnaire and therefore not included within the scope of the third-party review.

<sup>15</sup> See Question B.2.4 under the Baseline questionnaire

<sup>16</sup> For example, a company may have effective inspections for fire safety through its commitment to the Accord in Bangladesh, but not in other countries.

<sup>17</sup> The description of the Target could clarify that the Target pertains to the full ZDHC Wastewater Standard (i.e. including the minimum requirements, data reporting and schedule)

<sup>18</sup> One potential way to address this is by linking questions under D.1 with question B.2.4.

<sup>19</sup> The PST is also developing a tool by which member companies can assess their purchasing practices against common indicators developed through ACT.

<sup>20</sup> This was also raised during interviews with companies as being a challenge to the current formulation of the Baseline questionnaire.

<sup>21</sup> “Due diligence is appropriate to an enterprise’s circumstances. The nature and extent of due diligence can be affected by factors such as the size of the enterprise, the context of its operations, its business model, its position in supply chains, and the nature of its products or services. Large enterprises with expansive operations and many products or services may need more formalised and extensive systems than smaller enterprises with a limited range of products or services to effectively identify and manage risks.” OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct.

<sup>22</sup> The specific expectations of Target 24 are included in Document 31.

<sup>23</sup> This criteria only relates to a company’s most significant risks.

<sup>24</sup> In a review of a sample of Progress Reports it was found that although not mandatory, some companies nonetheless report on their due diligence management systems.

<sup>25</sup> Target 17 could also be strengthened by first rooting it in a strong policy commitment to the provision of remedy that has been established with internal and external expertise, adopted at the most senior level of the organisation, and reviewed on an ongoing basis. This is an example of recommendations under Step 1.

<sup>26</sup> Trade Union representation within the PST does facilitate worker perspective being integrated into the discussions of the PST.

<sup>27</sup> While many stakeholders pointed to improved trust over time, trust between stakeholders be strengthened. Concerns related to confidentiality of information shared were raised by business and concerns that companies were not taking good faith efforts were raised by civil society (and by business in some cases).

<sup>28</sup> One of the reasons for this may be the very broad nature of the Targets and the emphasis on ‘doing something’ rather than ‘quality measures.’

<sup>29</sup> The OECD has provided the PST with a sample mapping of targets, OECD criteria and the requirements under Siegelklarheit

<sup>30</sup> Without this expectation, content Targets – such as Targets related to the increase of sustainable cotton or suppliers with wet-processing compliant with the ZDHC MRSL – risk driving efforts towards lower-risk suppliers.

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