

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

Assessment of the Sustainable Apparel Coalition



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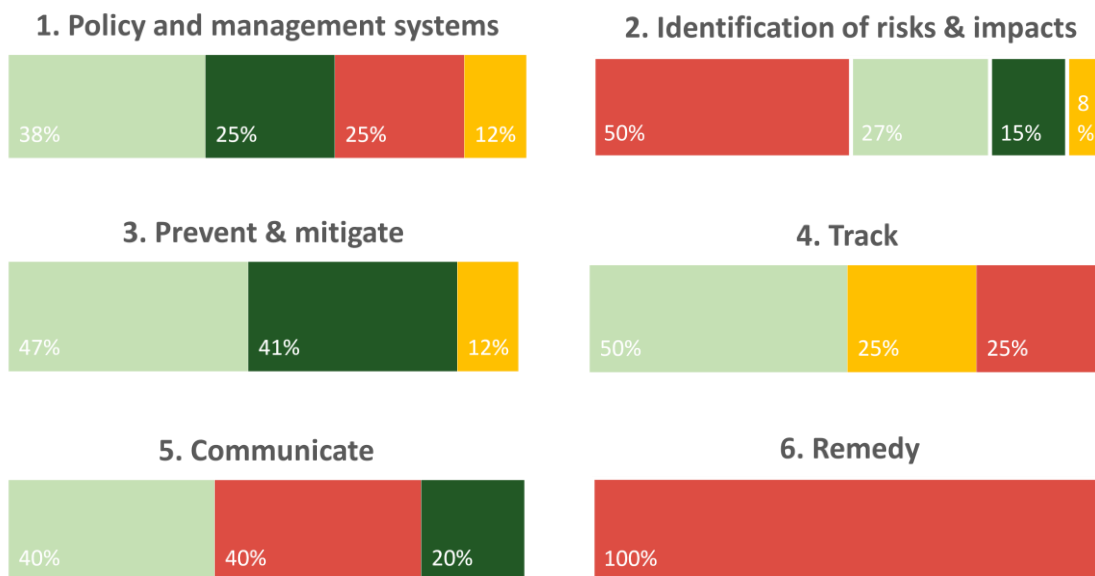
Snapshot

This snapshot shows the alignment of the Higg Brand & Retail Module (Higg BRM) with the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (OECD Garment Guidance).

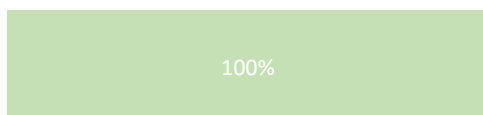
Due diligence characteristics



Overall alignment with the 6 steps of the OECD due diligence process



Collaboration



Key strengths

The Higg BRM:

- Is comprehensive in its scope in that it covers the majority of the recommendations across the six steps of the OECD Garment Guidance.
- Seeks to focus attention on a company's key risks and impacts.
- Emphasises responsible purchasing practices.
- Emphasises integrating due diligence into decision-making processes.

Key areas for improvement

The Higg BRM could:

- Include a stronger evaluation on the quality of a company's actions, including in relation to being risk-based, dynamic, informed by meaningful stakeholder engagement and appropriate to the company's circumstances.
- Strengthen questions to reflect the value of sector-wide collaboration in key geographies and on key issues in the sector.
- Incorporate a stronger emphasis on how companies are both assessing and addressing risks linked to their upstream production, such as risks associated with agriculture (Tier 4).
- Include an evaluation on how companies are engaging in processes to enable remediation in relation to impacts which they may have caused - or contributed to - within their supply chain.
- State clearly if aspects of a company's responsibility in relation to labour, human rights and environmental due diligence are not covered under the Higg BRM but are nonetheless the responsibility of a company.

About this report

The OECD launched the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (the “OECD Garment Guidance”) in 2017. The OECD Garment Guidance sets a common framework to help companies carry out supply chain due diligence - to identify, prevent, mitigate and address adverse impacts in their own operations and their supply chain. 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.

The OECD Garment Guidance establishes a six-step framework¹ for identifying and addressing risks in a company’s supply chain. 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. The OECD Garment Guidance likewise incorporates a gender lens to applying due diligence. Throughout the due diligence process, the OECD Garment Guidance supports due diligence that is preventative, integrated into decision making processes, risk-based, dynamic, informed by meaningful engagement with stakeholders, is appropriate to the circumstances of the company and involves ongoing communication.

Industry-led and multi-stakeholder initiatives that incorporate due diligence expectations can represent a strong inducement for companies to carry out due diligence and provide valuable opportunities for shared learning. However, a proliferation of expectations at a domestic level or across initiatives can create challenges for businesses operating globally who may be subject to various expectations. The OECD Garment Guidance is the negotiated and government-backed benchmark for due diligence by industry, multi-stakeholder and government backed initiatives. To help support a common understanding of due diligence while also enabling cross-recognition between programmes, the OECD has launched a pilot process to assess the alignment of multi-stakeholder and industry initiatives with the OECD Garment Guidance. This process, called the OECD Alignment Assessment process, is voluntary and was first piloted with the Sustainable Apparel Coalition (SAC) in 2018.

The SAC’s Higg Brand & Retail Module (Higg BRM) is a self-assessment tool that seeks to assess the environmental and social performance of SAC brand and retail members. This report sets out the findings of the OECD’s evaluation of the Higg BRM (beta version) and corresponding guidance.

¹ 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.

Overview of the Pilot Alignment Assessment

About the Sustainable Apparel Coalition and the Higg Brand & Retail Module

The SAC is a membership-based organisation with the vision “of an apparel, footwear and textiles industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.” SAC membership comprises of over 200 brands, retailers, manufacturers, academic institutions, governments and non-governmental organisations. SAC corporate members represent over \$500 billion annual revenues combined in the apparel and footwear sector.²

The Higg BRM is a self-assessment tool that seeks to assess the environmental and social performance of SAC brand and retail members. The tool is divided into eight sections: General, Product Development, Supply Chain, Packaging, Transportation, Distribution Centres, Retail Stores, and Product Use & End of Use. Each section includes an environmental and social sub-section with the exception of packaging.³ Across the eight sections, companies complete over 200 questions, which are categorised into three levels of improvement: Level 1 - Awareness and understanding of risk, impacts and opportunities; Level 2 - Setting targets and tracking progress; and Level 3 - Leading practices.

The Higg BRM intends “to standardize how brands and retailers measure and evaluate their environmental and social performance, year over year.”⁴ It does not provide a pass or fail assessment, but rather gives an indication of a company’s performance vis-à-vis its peers. Within this context, it seeks to:

- Measure and quantify the sustainability impacts of brands and retailers
- Reduce redundancy in measuring and reporting sustainability performance
- Drive business value through reducing risk and uncovering opportunities
- Create a common means and language to communicate sustainability to stakeholders.⁵

In 2017, the SAC began the revision of the Higg BRM. From August to October 2018, the SAC held external and internal consultations on the beta version of the revised Higg BRM. The updated tool is expected to launch in 2019.

Scope of the Pilot Alignment Assessment

The OECD carried out a Pilot Alignment Assessment of the Higg BRM (beta version) from August to December 2018. This evaluation focused on the Higg BRM and corresponding guidance, the “How to Higg”. For the purposes of this pilot, the OECD chose to focus its evaluation on the sections of the Higg BRM that relate to the due diligence of brands and retailers on their supply chains and not on their due diligence on their own operations and the downstream effects of their products. While the pilot included a narrow scope of the Higg BRM for the evaluation to test the OECD methodology, the OECD Garment Guidance calls on companies to carry out due diligence on their own operations as well as on their supply chains. In practice, this means that brands and retailers should identify and address risks and impacts linked to their retail, procurement, employment, warehouses, the transportation of their products, and the use and end of life of their products in addition to risks and impacts that may be linked to the production of their products. Table 1 provides an overview of the sections of the Higg BRM that were evaluated within this

² SAC website, <https://apparelcoalition.org/members/>.

³ The Packaging Module only includes an environmental sub-section.

⁴ How to Higg Guide, pg. 2.

⁵ Ibid.

assessment as well as the criteria within the Pilot Alignment Assessment Tool that were included and excluded in this pilot.

In scope of the Pilot Alignment Assessment

- All questions related to supply chain due diligence under the General, Product Development, Supply Chain and Packaging sections of the Higg BRM were within scope. This included questions falling under environmental and social sub-sections of the above.
- All criteria within the Alignment Assessment Tool related to the core characteristics of due diligence.
- All criteria under the Alignment Assessment Tool related to a company's supply chain due diligence were within scope of this assessment. This included criteria under the following headings:
 - ▶ Adopt a policy on responsible business conduct
 - ▶ Strengthen management systems
 - ▶ Scope the risks of harm in the enterprise's own operations and in its supply chain.
 - ▶ Assess suppliers associated with high-risk for harms at site level
 - ▶ Assess the enterprise's relationship to impacts
 - ▶ Seek to prevent or mitigate harm in the enterprise's supply chain
 - ▶ Verify, monitor and validate progress on due diligence and its effectiveness in the supply chain
 - ▶ Communicate publicly on the enterprise's due diligence process
 - ▶ Commit to hearing and addressing complaints raised through legitimate processes.
- All criteria under the Alignment Assessment Tool related to collaboration were included in the evaluation.⁶

Out of scope of the Pilot Alignment Assessment

- All questions related to end of life and product use under the General, Product Development, Supply Chain and Packaging sections of the Higg BRM were out of scope.
- All questions related to environmental and social practices at retail stores and within a company's headquarters or offices were out of scope of the evaluation.
- All questions under Transportation, Distribution Centres, Retail Stores and Product Use & End of Use were out of scope of the evaluation.
- The Higg BRM provides scores to brands and retailers based on their response to questions throughout the self-assessment. The scoring was not complete at the time of the OECD's evaluation and therefore was not within scope of the Pilot Alignment Assessment.
- The governance of the Higg BRM and therefore all criteria within the Alignment Assessment Tool related to governance was out of scope of the evaluation. This decision was made in recognition that the SAC has not yet developed the evaluation framework for the Higg BRM.

⁶ Whilst important, the conclusions drawn on collaboration do not inform the evaluation on the alignment of the Higg BRM to the recommendations of the OECD Garment Guidance.

- All criteria under the Alignment Assessment Tool related to a company's own operations were out of scope of the evaluation. This included criteria under the following headings:
 - ▶ Conduct a self-assessment of the enterprise's own operations
 - ▶ Cease, prevent or mitigate harm in the enterprise's own operations
 - ▶ Verify, monitor and validate progress on due diligence and its effectiveness in the enterprise's own operations
 - ▶ Establish processes to enable remediation in the enterprise's own operations
 - ▶ Accountability
 - ▶ Governance

Important considerations of the scope of the Alignment Assessment

The OECD evaluated a beta version of the Higg BRM. This means that the structure and questions under the Higg BRM are subject to change.

The OECD's evaluation focused on the self-assessment questions included in the Higg BRM and the corresponding guidance related to those questions. The SAC is currently developing the evaluation methodology for the Higg BRM which the SAC will then use to verify brand and retail performance. While the questions included in the Higg BRM form the basis of brand and retailer evaluation, and the OECD attempted to encourage an evaluation which promoted meaningful due diligence and not a check-the-box approach, an evaluation of documentation is always limited. It is ultimately the implementation and verification process which will demonstrate whether the Higg BRM drives member companies to carry out meaningful due diligence. The OECD recommends that the SAC seek feedback from stakeholders after one or two years of implementation to evaluate whether the Higg BRM is achieving its objectives.

The scoring of the Higg BRM was not included in the OECD's evaluation. While scoring could be a useful tool to gauge a company's efforts or progress, the desire to achieve a high score by participating companies should be recognised. With this in mind, an effort should be made to ensure the approach to assigning and tallying scores promotes priorities that align with OECD due diligence guidance. Aligning the scores with the OECD's Overarching Criteria is worth considering (see Table 2 and Table 3).

Table 1. Scoping of the Pilot Alignment Assessment of the Higg BRM

Sections of the OECD Garment Guidance	Sections of the Higg BRM							
	General	Product Development	Supply Chain	Packaging	Transportation	Distribution Centres	Retail stores	Product Use & End of use
Overarching criteria								
1.1 Adopt a policy on responsible business conduct								
1.2 Strengthen management systems								
2.1 Scope the risks of harm in the enterprise's own operations and in its supply chain								
2.2 Conduct a self-assessment of the enterprise's own operations								
2.3 Assess suppliers associated with high-risk for harms at site level								
2.4. Assess the enterprise's relationship to impacts								
3.1 Cease, prevent or mitigate harm in the enterprise's own operations								
3.2 Seek to prevent or mitigate harm in the enterprise's supply chain								
4.1 Verify, monitor and validate progress and effectiveness (own operations)								
4.2 Verify, monitor and validate progress and effectiveness (supply chain)								
5.1 Communicate publicly								
5.2. Communicate with affected stakeholders (for Human Rights)								
6.1. Establish processes to enable remediation (own operations)								
6.2. Commit to hearing and addressing complaints (supply chain)								
Collaboration								
Accountability								
Governance								

In scope
 Part of the section is in scope
 Not in scope

Methodology of the Pilot Alignment Assessment

The objective of the Pilot Alignment Assessment was to evaluate the alignment of the Higg BRM with the recommendations of the OECD Garment Guidance. This was established by evaluating:

- a. Whether key overarching due diligence characteristics are incorporated into the Higg BRM reporting framework⁷. These include due diligence that is: preventative, an integral part of decision-making, risk-based, dynamic, involves meaningful engagement with stakeholders, ongoing communication and is appropriate to the circumstances of the company.
- b. Whether the Higg BRM self-assessment evaluates member company performance against the six steps of the OECD due diligence framework and its corresponding recommendations.

In evaluating the above, the OECD reviewed the Higg BRM against 89 due diligence criteria, which are drawn from the recommendations contained in the OECD Garment Guidance.⁸ Each criterion was rated on a scale from Not Aligned (1) to Fully Aligned (4).

The OECD also reviewed the extent to which the Higg BRM evaluates company collaboration with peers and stakeholders in carrying out due diligence on the key points of collaboration identified in the OECD Garment Guidance. The conclusions drawn on collaboration are significant but they do not inform the evaluation on the alignment of the Higg BRM to the recommendations of the OECD Garment Guidance.

Activities under the Pilot Alignment Assessment

The evaluation included the following activities:

- a. **Planning:** The OECD met with the SAC to establish the scope of the Pilot Alignment Assessment.
- b. **Document review:** The Beta Higg Brand & Retail Module and the How to Higg formed the basis of the OECD's review.
- c. **Interviews:** Interviews provided additional insight into the extent to which the Higg BRM supports the core characteristics of due diligence. Interviews were semi-structured and undertaken with the SAC secretariat, select SAC members and civil society.
- d. **Analysis and reporting:** The OECD presented preliminary findings to the SAC in September 2018 during an in-person meeting in order to gain clarity on any misperceptions and to discuss possible solutions. The official conclusions of the Pilot Alignment Assessment and recommendations were captured in a detailed report presented to the SAC in November 2018. The report included detailed findings against each of the criteria evaluated during the Pilot Alignment Assessment and corresponding recommendations.

The detailed report was likewise shared with the Clean Clothes Campaign (CCC) and was discussed with the SAC and the CCC in November 2018. The SAC was provided an opportunity to comment on the report and raise any questions or concerns during a series of conference calls.

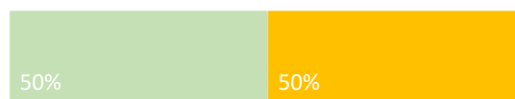
- e. **Public report:** This report includes a summary of the detailed findings presented to the SAC. The recommendations included in this public report reflect the overarching recommendations presented in the detailed report to the SAC.

⁷ Core due diligence principles are set out in the introduction of the OECD Due Diligence Guidance for Responsible Business Conduct and are consistent with the recommendations of the OECD Garment Guidance.

⁸ These criteria are included in the Alignment Assessment Tool, which was launched in January 2018.

Overarching due diligence characteristics

■ Fully Aligned ■ Partially ■ Limited ■ Not Aligned



Underpinning the different activities within the OECD’s six-step 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.⁹ These core characteristics of due diligence are overarching across the due diligence process, meaning that each step that a company takes to identify, prevent, mitigate and account for the risks and impacts in its activities and its supply chains should reflect them. These characteristics likewise distinguish the due diligence process from a check-the-box exercise and can be considered measurements of the quality of a company’s response.

Overall the OECD found that whereas the Higg BRM was relatively strong on select characteristics, there remain opportunities to strengthen many of the core characteristics of due diligence. Specifically, the Higg BRM was found to promote due diligence that is preventative, is incorporated into key decision making processes, and involves ongoing communication, but is weak on promoting due diligence that is dynamic, risk-based, involves meaningful engagement with stakeholders, and is appropriate to the company’s circumstances. Strengths and opportunities to strengthen alignment across the core characteristics of due diligence are outlined in Tables 2 and 3.

⁹ These characteristics of due diligence are most clearly defined in the OECD Due Diligence Guidance for Responsible Business Conduct but are also integrated throughout the OECD Garment Guidance.

Table 2. Core characteristics of due diligence which were found to be partially aligned

Core characteristics	Strengths of the Higg BRM	Opportunities to strengthen alignment
Preventative	<p>The Higg BRM promotes:</p> <ul style="list-style-type: none"> • Risk assessment across the full supply chain • Formal approaches to manage key issues. • Addressing impacts through the product design process. • Implementing responsible purchasing practices to prevent facilitating or incentivising poor labour practices. • Measuring impact prior to disengaging from a supplier relationship. 	<p>The SAC could:</p> <ul style="list-style-type: none"> • Incorporate a stronger emphasis on the quality of a company's actions
Integral to decision making	<p>The Higg BRM evaluates:</p> <ul style="list-style-type: none"> • The integration of environmental and social performance of suppliers into sourcing decisions. • How labour and environmental issues are addressed in the product design process • A company's risk analysis before disengagement from a supplier • The alignment across business units <p>The process of completing the Higg BRM <i>may</i> itself help drive functional alignment across business/ units.</p>	<p>The SAC could:</p> <ul style="list-style-type: none"> • Strengthen questions to evaluate whether the company can demonstrate that decisions are based on environmental and labour considerations alongside business considerations <i>in practice</i>. • Evaluate how the company evaluates and considers risks prior to sourcing from a new region.
Involves ongoing communication	<p>The Higg BRM promotes:</p> <ul style="list-style-type: none"> • Public communication on the company's environmental and social impacts, policies or approaches. • Public disclosure on the targets that the company has set • Public disclosure of the company's supplier lists 	<p>The SAC could:</p> <ul style="list-style-type: none"> • Better indicate what is considered to be quality reporting, for example, in relation to communicating on a company's 'policies and programs' • Include communication on: due diligence management systems; processes to provide access to remedy; meaningful engagement with stakeholders; policy engagement. • Consider the accessibility of public communications (i.e. Whether they are relevant, accurate, clear, user friendly with plain language, and are presented in a way that enables the intended users to access information) • Seek to evaluate how companies are communicating with impacted stakeholders (e.g. workers and communities).

Table 3. Core characteristics of due diligence which were found to have limited alignment

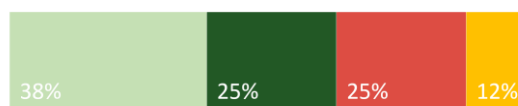
Core characteristics	Strengths of the Higg BRM	Opportunities to strengthen alignment
Is risk-based	<p>The Higg BRM:</p> <ul style="list-style-type: none"> Seeks to promote a risk-based approach by focusing on a company's 'key' risks and impacts. 	<p>The SAC could:</p> <ul style="list-style-type: none"> Define the scope of risk (in relation to environmental and social issues) as risk to people and the environment and not to the business itself Define 'key' risks as being those that are most significant in terms of severity (scale, scope and the irremediable character) and likelihood. In relation to human rights, severity takes priority. Evaluate whether a company's strategy to manage risks and impacts is proportionate to the severity of the impact. Restructure the Higg BRM to facilitate and encourage a risk-based approach whereby companies focus on their most significant risks.
Appropriate to the company's circumstances	<ul style="list-style-type: none"> The How to Higg includes text that explains how the nature of a company's business and its sourcing relationships may affect how the company carries out due diligence. In interviews with SAC members, it was raised that some retailers would like to use the Higg BRM as an evaluation of brands that the retailers sell. 	<p>The SAC could:</p> <ul style="list-style-type: none"> Evaluate how companies consider the nature of their business and sourcing models when evaluating their exposure to risks. Evaluate how a company's approach to addressing risks considers its business model (e.g. whether it sources directly or indirectly; carries out evaluations of 3rd party brands, etc.).
Dynamic	<ul style="list-style-type: none"> The Higg BRM is an annual assessment and therefore may encourage companies to re-evaluate their due diligence on an annual basis. 	<p>The SAC could:</p> <ul style="list-style-type: none"> Evaluate whether and how new information feeds into the company's understanding of risks. Evaluate the processes that brands have in place to hear complaints against them that arise in their supply chains. Evaluate how companies revise their strategy when they determine that their efforts to address risks are not effective.
Informed by meaningful engagement with stakeholders	<p>The Higg BRM includes:</p> <ul style="list-style-type: none"> Engagement with suppliers on a company's strategy and approach to managing risks and impacts in its supply chain. Collaboration with stakeholders to address systemic risks. 	<p>The SAC could:</p> <ul style="list-style-type: none"> Evaluate how worker input is considered in the design and implementation of a company's strategy to address risks and impacts in its supply chain (or the corrective action plans of its suppliers).

OECD 6-step Framework for Due Diligence

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

■ Fully Aligned
 ■ Partially
 ■ Limited
 ■ Not Aligned

Policy and management systems



The Higg BRM includes limited references to policy commitments. Where references do exist, they are listed as optional alongside other potential responses. A few exceptions exist: for example, policy commitments are a requirement (i.e. rather than an option) in relation to pay equality analysis, protection of whistle blowers¹⁰ and chemical management.

Box 1. Policy recommendations under the OECD Garment Guidance

The enterprise's policy on responsible business conduct:

- a Should include commitments regarding the company's own activities and should articulate the company's expectations of its business partners – including suppliers, licensees and intermediaries – across the full length of its supply chain.
- b Should cover matters covered by the OECD Guidelines. The enterprise's RBC 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.
- c Should include commitments to conduct due diligence on the enterprise's most significant risks in its own operations and in its supply chain.
- d Should include a commitment to responsible sourcing practices, meaning that the enterprise commits to seeking to prevent its contribution to harmful impacts through its sourcing practices.¹¹
- e Should stipulate the enterprise's expectations regarding the use of subcontractors by direct suppliers, when relevant, including a definition of "subcontract" and distinctions in subcontracted work if they exist.
- f Should put forth the enterprise's expectations regarding the outsourcing to homeworkers and the use of handwork, where relevant to the enterprise's business models.
- g Should include a commitment to meaningful engagement with affected stakeholders through the course of due diligence.
- h Is encouraged to include a commitment to hear and address all complaints against the enterprise regarding their own operations regardless of how they are raised; and include a commitment to hear and address measured and substantiated complaints that the enterprise has caused or contributed to harms in its supply chain that are raised through legitimate processes.

¹⁰ Higg BRM, How to Higg, General, Verification of Q31 and Q33.3. These questions are being used for exemplary purposes but were not included within the scope of the assessment.

¹¹ This recommendation is only relevant for retailers, brands and other buyers.

The garment and footwear sector has been criticised in the past for having a strong emphasis on policy or codes of conduct without sufficient action to implement those policies; however, not explicitly requiring policies overlooks the foundational role that policies play in setting a company's priorities and direction. Evidence in the garment and footwear sector likewise demonstrates that while there has been great emphasis on policy development, policies still insufficiently address important issues in the sector, such as subcontracting and purchasing practices. Explicitly stating that a company's approach or strategy to manage its key social or environmental risks should first include the necessary direction from the top in the form of clear policy commitments is one way to bring the Higg BRM into alignment. The Higg BRM should likewise focus on the content and development of those policies including elements *a-h* from the OECD Garment Guidance included in Box 1.

Strengthen management systems in order to conduct due diligence on risks of harm in the enterprise's own operations and in its supply chain

The Higg BRM seeks to assess whether the company is integrating its commitments to environmental and social goals into oversight and management systems so that they are implemented as a part of regular business processes. For example, the Higg BRM evaluates whether there is oversight from the top and whether staff are competent and capable of carrying out their functions.

In interviews with SAC members and external stakeholders, the following were identified as key processes or decision points that should incorporate due diligence: (a) sourcing decisions; (b) product design processes; (c) disengagement from a supplier; and (d) entering into new markets. Each of these processes are likewise referenced as key points of decision making in the OECD Garment Guidance. The Higg BRM includes questions concerning if and how companies integrate due diligence into all of the above with the exception of *d, entering into new markets*. While the issues covered are appropriate, the specific questions tend to focus on the tools developed by the company (e.g. scorecard) and not on whether the company can demonstrate that decisions are based on the company's evaluation of risks alongside business factors in practice.

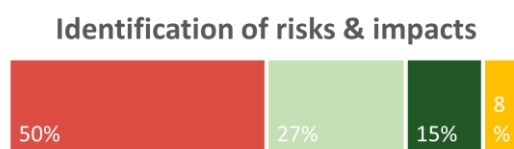
For example:

- a **Sourcing decisions:** The Supply Chain Section inquires whether the company has an integrated scorecard that includes both business and sustainability criteria. While this question seeks to understand whether companies are able to make decisions based on both business considerations and sustainability considerations, it does not evaluate whether companies are doing this in practice. Evaluating the extent to which companies direct sourcing towards suppliers that demonstrate responsibility may be a more meaningful indicator.
- b **Product design process:** The Product Development Section – both in relation to labour and the environment – evaluates how companies seek to mitigate risks through the product development process.
- c **Disengagement from a supplier:** The Higg BRM incorporates a risk analysis before a company disengages from a supplier (How to Higg, Supply Chain, Question 48), although it does not evaluate how a company considers risks prior to sourcing from a new region.

In addition to the above, the Higg BRM seeks to evaluate whether staff are incentivised to meet environmental and social objectives. Integrating environmental and social performance into performance evaluation is one proxy for decisions being made on the basis of both business considerations and due diligence considerations.

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

Fully Aligned
 Partially
 Limited
 Not Aligned



Scope the risks of harm in the enterprise's own operations and in its supply chain

Each of the sections assessed under the Higg BRM include the expectation that companies carry out a study to identify risks linked to the company's activities and supply chain and that the study is documented. The majority of sections likewise include in the How to Higg under verification procedures that the study should document the specific impact and risk criteria evaluated.¹² The risk assessment in the Higg BRM takes a full supply chain approach, is (for the most part) based on known sector risks and takes into consideration geographic risk factors.

The following key points were identified to bring the Higg BRM's risk assessment into stronger alignment with OECD Garment Guidance.

- a The Higg BRM defines risk as risks not only to people and the environment but also to the business itself, which is broader than the definition of risk under the OECD Guidelines for Multinational Enterprises. Under the OECD Garment Guidance, risk is explicitly defined as "the risk of harm to individuals, other organisations and communities in relation to human rights, labour rights and the environment and not to the business itself."¹³
- b While the focus on key risks or impacts supports a risk-based approach, the term 'key' is not defined in the technical guidance for the question. Therefore it is left to the discretion of companies to define what constitutes a 'key' risk rather than setting a clear requirement for companies to consider which risks are most likely and pose risk of most severe harm to people, the environment or communities.
- c Currently the questions related to scoping do not include reference to the methodology that the company uses in the question itself. Rather reference to risks related to relevant tiers of suppliers, functions within each tier, geographical location, etc. are included in the verification of the question. There is a risk that companies with and without a robust assessment framework will be scored the same through the current configuration of the question. As this question is foundational to almost all subsequent questions in the Higg BRM, it will be important that the verification is robust and/or that reference to an appropriate methodology for scoping risks is included in the question itself.

¹² The text under Supply Chain Q1 and 38 and Product Development 1 is aligned and states, "A study (carried out in the last three years) that documents or models environmental [or social] impacts and risks for different levels of your supply chain, including specific impact and risk criteria assessed."; The text in Q23 of the Product Development module does not reference documentation on specific impact and risk criteria evaluated.

¹³ OECD (2018), *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, OECD Publishing, Paris, pg. 15.

- d Further consideration could be given to how companies assess labour and human rights risks in their supply chain. For example, the scale and scope of sexual harassment, forced labour and impacts related to restrictions on collective bargaining and freedom of association can be difficult to assess. The Higg BRM does provide explicit guidance on assessing risks linked to chemicals, however, similar technical guidance is not provided for other environmental or labour and human rights risks.
- e Under OECD Garment Guidance, a company “should update the information feeding into its understanding of the risks of harm in its operations and in its supply chain and should account for changing circumstances and be ready to respond to emerging risks.”¹⁴ Broadly, the Higg BRM does not capture whether and how new information feeds into how a company understands its risks. While it is not expected that a company constantly carries out scoping exercises, particular circumstances should lead the company to re-evaluate its understanding of risks in its supply chain. For example:
 - The circumstances in which the company is operating can shift, for example changes in relevant labour or environmental laws, increases in migrant labour, shifts in the political landscape, etc.
 - A company may enter into a new market or environment.
 - A company may receive information on an existing product or context that it did not have before. This new information should be weighed and considered as it moves forward.

The structure of the Higg BRM could hinder a risk-based approach. Currently questions related to the risk assessment are included at the beginning of each section. One potential weakness to this approach is that a company is directed to address risks across each section without consideration as to whether those risks are significant. The revision of the Higg BRM could include a higher-level scoping question by which a company identifies and prioritises risks prior to answering questions related to each section.

Assess suppliers associated with higher risk for harms at the site level

The Supply Chain Section of the Higg BRM notes, “Measuring and evaluating supply chain partners’ environmental performance are measured in the Facility Environmental Module (FEM) and are not in scope for the Brand & Retail Module.” Similarly, it notes “Measuring and evaluating supply chain partners’ social performance are measured in the Facility Social & Labor Module (FSLM) and are not in scope for the Brand & Retail Module.” In light of this, the OECD did not evaluate criteria related to the implementation of supplier assessments at manufacturing.

It is important to note, however, that the FEM and the FSLM are only relevant for manufacturing and not currently applicable to upstream production, most notably agriculture. The Higg BRM, therefore, lacks an evaluation of how companies assess their suppliers associated with higher risks at raw material production. The Higg BRM does incorporate recommendations from the OECD Garment Guidance to establish mechanisms that are fit-for-purpose, such as traceability and/or assessing “choke points” in the supply chain to assess suppliers operating upstream when a company lacks visibility or leverage. However, this language is currently included in the technical guidance under question 1 in the Product Development section which focuses on scoping sector risks and not supplier assessments. A specific question on assessing

¹⁴ OECD (2018), *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, OECD Publishing, Paris, Section 2.1, p. 47.

suppliers upstream, or assessing choke-points, is neither included in the Supply Chain nor the Production Development sections.

Assess the enterprise's relationship to impacts

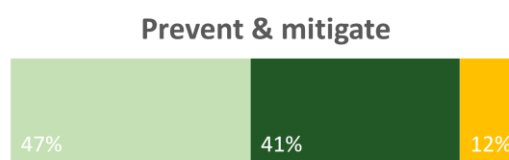
As a component of its due diligence, the enterprise should make good faith efforts to understand whether it has caused, contributed to or is linked to the impacts that it has identified. Identifying the enterprise's relationship to impacts is a difficult and sometimes conceptual task. However, it is important in terms of the expectations of its response (i.e. whether the enterprise is expected to provide remedy).

Within the garment and footwear sector, a company may contribute to adverse impacts in its supply chain through its purchasing practices.¹⁵ The Higg BRM does include a series of questions on a company's purchasing practices within the Supply Chain Section. Beyond purchasing practices, the Higg BRM does not evaluate whether companies have a process for determining their relationship to impacts, for example whether they have caused, contributed to or are directly linked to impacts in their supply chains.

¹⁵ OECD (2018), *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, OECD Publishing, Paris, Box 4.

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

■ Fully Aligned ■ Partially ■ Limited ■ Not Aligned



Seek to prevent or mitigate harm in the enterprise's supply chain

Each of the Higg BRM sections reviewed includes a core question on whether the company has a formal approach or strategy to manage its key risks and impacts identified during the scoping exercise. The verification of these questions point to aspects of a company's strategy, such as an action plan for integrating the company's strategy into its business, the creation of formal policies, external or internal best practices or tools that will be leveraged to help implement these approaches, amongst others. The Higg BRM likewise includes a number of additional questions that evaluate specific actions that a company may be taking to address risks in its supply chain. These include supplier engagement, chemical management, government engagement, and supplier recognition. Many of the processes under an OECD due diligence approach are incorporated into these questions (e.g. supplier engagement, incentives for suppliers, government engagement, etc.), pointing to its comprehensiveness.

While the Higg BRM is comprehensive in scope, it could strengthen its analysis of the quality of a company's response to better incorporate the core characteristics of due diligence. More specifically, the Higg BRM could evaluate whether a company's approach to addressing risks is appropriate and proportionate to the nature and severity of the risk. The verification of select questions within the Supply Chain Section does include reference to external or internal best practices or tools that will be leveraged to help implement the company's strategy. Each of the sections evaluated likewise includes a follow-up question on whether manufacturers were consulted in the development of the approach or strategy, which similarly drives at whether the company's approach is appropriate. However, in each of the above cases, questions are broad in scope and are not linked to the key risks which the company has identified during its scoping exercise.

The BRM could better drive at the appropriateness of a company's strategy by further evaluating the process by which the company develops its strategy for its most significant risks. For example, the Higg BRM could evaluate:

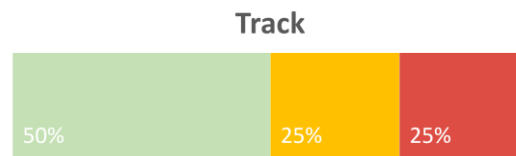
- a Whether suppliers were engaged and how, per key risk (Note: this is already included in the Higg BRM)
- b Whether workers were engaged and how (e.g. through consultation, through a global framework agreement, etc.)
- c Whether the company is engaged in an existing initiative to carry out its strategy/approach, and if so, which ones.
- d Whether issue experts were engaged in the development of the strategy.

Additional elements which could be strengthened in the Higg BRM in relation to preventing and mitigating risks and impacts are included below:

- a The Higg BRM seeks to understand the extent of the supply chain covered by a company's strategy or approach to address risks. While this could be a helpful indicator of the robustness of a company's strategy, it may not enable a risk-based approach. For example, companies may prioritise chemical management at wet processing and finishing in light of the higher risks linked to these production processes. Such hot-spotting or prioritisation, both in terms of higher-risk locations and production processes, is not facilitated under the Higg BRM.
- b The terms "approach" and "strategy" are not defined and the verification and technical guidance of these questions included in the How to Higg do not clarify what is expected.
- c In addition to the core question included in each section on whether the company has a formal approach or strategy to manage its key risks and impacts, the Higg BRM likewise includes a range of questions related to supplier engagement, chemical management, government engagement, and supplier incentives. Linking these questions to a company's response to discrete and prioritised risks in its supply chain could strengthen the Higg BRM.
- d The SAC should consider how questions related to packaging and product development link to a company's strategy to manage risks in its supply chain. For example, currently product development and packaging are separate sections from supply chain and the Product Use and End of Use Sections. However, through product development a company can address risks linked to its supply chain.
- e The evaluation noted that questions pertaining to chemical management are more prevalent and more detailed than questions pertaining to a company's strategy to manage risks in its supply chain. For example, there are 15 questions designated to how a company identifies and prevents chemical risks in its supply chain compared with only 2 questions for all other environmental risks combined. While these questions provide an example of how the Higg BRM could ask targeted questions related to a company's strategy to manage specific risks, a similar range of questions is not provided for any other issue (e.g. child labour, forced labour, etc.). Furthermore, requiring all companies to answer questions on chemical management moves away from a risk-based approach. It may be the intention of SAC brands and retailers to collectively prioritise chemical management as a key risk in light of known chemical risks in the sector. If prioritisation is taken across SAC brands (i.e. chemical management is identified as a 'key risk' for all brands and retailers) this should be explained.
- f Finally, the Higg BRM includes a strong focus on escalation measures and responsible disengagement when disengagement is necessary. The Technical Guidance in the How to Higg around these questions provides useful guidance on what is considered to be appropriate processes for disengagement which incorporates recommendations from the OECD Garment Guidance. While the Technical Guidance to the questions is a helpful resource, the questions themselves could be strengthened to better drive quality responses. The current formulation of the questions are not specific enough to evaluate whether the company has a systematic process in place for escalation and responsible disengagement when necessary, or whether the company's approach is more ad-hoc and reactive. This nuance is important to evaluating whether a company has due diligence processes in place versus being primarily reactive.

4. Track

■ Fully Aligned ■ Partially ■ Limited ■ Not Aligned



Verify, monitor and validate progress on due diligence and its effectiveness in the enterprise's supply chain

The Higg BRM includes two sets of key questions to evaluate how a company measures and tracks progress in preventing or mitigating impacts in its supply chain:

- a. The first relates to monitoring progress at a site-level and establishing escalation measures when issues persist over time.
- b. The second includes a set of tables, referred to as “tracking tables” in this paper, in the Product Development and Supply Chain sections. The tracking tables, which are automatically populated with each key risk identified during the company’s risk assessment, trigger the company to provide more detail on how it will monitor progress on each key risk, including by: identifying performance indicator(s); establishing a baseline, timeline and target(s) for improving the performance indicators; providing information on actions taken to reach the targets; and measuring progress towards the established targets for each of the identified risks.

An evaluation of questions related to (a) is included in section 3. The following evaluation, therefore, relates to the tracking tables (b). The tracking tables point to the intention of the SAC to evaluate how companies “monitor indicators ...over time to validate that impacts have been or are being prevented” as recommended in the OECD Garment Guidance. The Higg BRM could be strengthened in the following ways:

- a. The Higg BRM does not currently evaluate the quality of the performance indicators or targets selected in the tracking tables, for example, whether they are appropriate for the specific risk and how they are measured. This is particularly relevant for impacts that are neither easily identified nor quantifiable.
- b. Similar to the above, the Higg BRM does not evaluate the quality of a company’s evaluation of its progress. For example, the Higg BRM does not evaluate whether a company considers the input from workers and other stakeholders when it evaluates progress against its goals. Likewise it does not consider whether the company “draws on all known information, including data from ongoing monitoring, internal periodic assessments, issues raised through grievance mechanisms, etc. to validate that the steps taken by the enterprise are preventing and mitigating impacts” as recommended in the OECD Garment Guidance.
- c. The structure of the Tracking Tables drives quantitative indicators and seems to be less flexible towards qualitative indicators of achievement. While quantitative data can provide part of a picture, qualitative indicators of progress are likely to provide essential nuance to understanding if and how a company is achieving its desired goals. (See Box 2, b for an example).
- d. Monitoring risks linked to upstream production is not well addressed and may be difficult to evaluate in the current formulation of the tracking tables. (See Box 2, c for an example).

Box 2 includes scenarios which present challenging circumstances for evaluating whether the actions that a company is taking is effective, and which could be better reflected or considered in the Higg BRM.

Box 2. Common scenarios in the apparel sector which may pose challenges to monitoring

The following scenarios present challenging circumstances for evaluating whether the actions that a company is taking are effective. These circumstances could be better considered in the Higg BRM to ensure that companies seeking to collaborate to address systemic risks or to engage to address risks linked to upstream production are not unduly penalised.

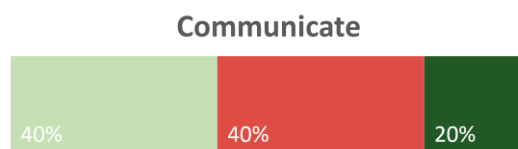
Scenario A: Companies are collaborating (with each other and/or with other stakeholders) to engage government to address a systemic challenge. For example, companies may be collaborating to lobby for stronger enforcement of existing labour laws or entering into collective bargaining to address wages. In these cases, changes may not be seen in the first two years, but the impact over time may be more substantial. In this context, qualitative indicators that can reflect meaningful engagement with governments on this topic, for example, may be appropriate.

Scenario B: A company is seeking to address a risk but it does not yet have sufficient information to understand the scale or scope of that risk (i.e. the company does not have baseline data). This is a common scenario as companies seek to address human rights, labour and environmental risks beyond tier one. In its current form, the tracking table is built on the foundation of baseline data. Companies should not be discouraged or penalised from taking measures to address known risks at tier 2, even without comprehensive baseline data.

Scenario C: Companies have identified key risks linked to upstream production (e.g. Tier 4) in their supply chain. As a first step, the table should include reference to the tier that the company is seeking to address as well as the country (optional). In the case of risks at tier 3 or 4, companies may rely on multi-stakeholder initiatives (e.g. Better Cotton Initiative, BCI). Monitoring progress, therefore, may be a combination of monitoring progress of those multi-stakeholder initiatives as well as monitoring the company's participation in that initiative (e.g. monitoring the uptake of BCI cotton).

5. Communicate

■ Fully Aligned ■ Partially ■ Limited ■ Not Aligned



Communicate publicly on the enterprise's due diligence process, including how the enterprise has addressed potential and actual harms

The Higg BRM includes the following core questions related to communication under each section reviewed by the OECD:

- a. "Do you publicly communicate your environmental [social] impacts, policies and programs..."¹⁶
- b. "Do you disclose the progress you have made on the targets you have set?"¹⁷

The Supply Chain section likewise asks, "Do you publicly disclose your supplier lists? If yes, please specify per tier the percentage this covers..." and "Please provide the URL for where this is located."

Whereas the questions (a) and (b) above are broad in scope, the supporting Technical Guidance and Verification within the How to Higg provide some necessary information on how brand and retail members can understand the question and sub-criteria for verification. Taking the Technical Guidance and Verification into account, questions (a) and (b) do include elements aligned or partially aligned with OECD recommendations. For example, the Technical Guidance under the Supply Chain Section and the Product Development Section both include reference to communicating on how impacts were assessed and verified (See Box 3, c).

Areas for improvement on the existing questions pertaining to communication include the following:

- a. The sub-criteria found within the Technical Guidance and Verification of (a) and (b) is not consistent across the Product Development, Supply Chain and Packaging Sections. For example, the Environmental section of the Supply Chain Section asks a company to provide "information on the overall or specific impacts of suppliers or tiers, with specific information on how this data was gathered, calculated or verified. The equivalent question in the social section of the same section does not include the expectation that companies communicate on how they have assessed impacts.
- b. In some cases, the information within the Technical Guidance and Verification is insufficient to determine what is considered to be quality reporting by the SAC.

While existing questions on public communication do partially align with OECD recommendations, the Higg BRM does not currently include all of the reporting recommendations under the OECD Garment Guidance. Specifically, public communication on the following elements are not included:

¹⁶ In some cases, the question is expanded, such as in the Supply Chain Section, which inquires about the company's communications on these aspects for each tier of its supply chain.

¹⁷ Higg BRM

- a. The enterprise's due diligence management systems, including how due diligence is incorporated into decision-making processes and information management systems to support due diligence. (Box 3, b).
- b. The enterprise's systems to provide access to remediation in its own operations and its supply chain (Box 3, f)
- c. How the enterprise engages meaningfully with its stakeholders. (Box 3, g)

The Higg BRM likewise does not address the accessibility of public information.

The OECD Garment Guidance recommends that companies communicate on their “most significant risks”, thus focusing reporting on impacts that are most severe to people, the environment and communities, and those that are most likely. In the current formulation, discrete questions on public communication are integrated separately into each section of the BRM. This is regardless of whether the issues addressed in the section have been identified as a significant risk for the company. Companies are also expected to publicly communicate on impacts, policies and programmes associated with all tiers of the supply chain, including chemical suppliers, regardless as to whether these stages of the supply chain have been prioritised during the risk assessment process. A risk-based approach promotes the disclosure of important information while also ensuring that communication remains feasible and not overly burdensome. By not narrowing the scope of reporting to a company's most significant risks, the Higg BRM risks promoting reporting that is either overly strenuous or weak.

Box 3. Recommendations on public communication under the OECD Garment Guidance

The enterprise should publicly communicate the following:

- a. The enterprise's RBC policy or policies. The enterprise should likewise communicate any additional value statements to which the company subscribes (e.g. through participation in sector initiatives, agreements with trade unions or multi-stakeholder initiatives).
- b. The enterprise's due diligence management systems, including how due diligence is incorporated into decision-making processes and information management systems to support due diligence.
- c. The most significant risks of harm in the enterprise's own operations and in its supply chain. The enterprises should likewise explain its processes for assessing those risks. Where the enterprise has prioritised some risks of harm for immediate attention, it should justify its prioritisation process.
- d. The components of the enterprise's plan to prevent or mitigate harm in its own operations and in its supply chain and the effectiveness of those measures.
- e. Where relevant, the enterprise's intent in policy engagement as well as the outcomes of the engagement itself.
- f. The enterprise's systems to provide access to remediation in its own operations and its supply chain. Enterprises may also choose to disclose cases that are brought against the enterprise and how they were resolved.
- g. How the enterprise engages meaningfully with its stakeholders.
- h. If the enterprise is engaging with a sector or multi-stakeholder initiative for the purposes of collaborating on due diligence and which specific components the enterprise is collaborating on (e.g. collaboration on identification of risks, supplier assessments, etc.).

The enterprise should publicly communicate information annually at a minimum. Communication may take a number of forms. However, in all cases, information should be maintained and communicated in a way that is relevant, accurate, current, clear and user-friendly and enables intended users to access information. The enterprise is also encouraged to make information available in plain language.

Communicate with affected stakeholders

The Higg BRM includes language on publicly communicating a company's policy to impacted stakeholders in the Product Development, Supply Chain and Packaging Sections as one option to demonstrate that the company has a formal approach or strategy to manage its key risks. While reporting through the Higg BRM itself could build the capacity of companies to "be prepared to communicate how they address their human rights impacts externally"¹⁸, the Higg BRM could also seek to evaluate how companies are communicating with impacted workers and even communities. This could be an opportunity to build learnings amongst the SAC membership.

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

■ Fully Aligned ■ Partially ■ Limited ■ Not Aligned

Remedy



Commit to hearing and addressing complaints raised through legitimate processes

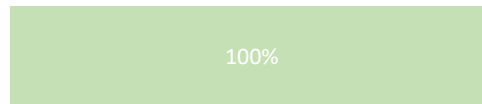
The Higg BRM does not evaluate the processes that brands have in place to hear complaints against themselves in their supply chains. Similarly, the Higg BRM does not consider whether brands are providing for or contributing towards the provision of remedy in the cases where they have caused or contributed to harm.

During a consultation carried out under this Alignment Assessment with civil society, civil society recommended that the SAC include a grievance mechanism of its own organisation. While Governance was not within the scope of the Pilot Alignment Assessment (see Table 1), this point was discussed with the SAC and civil society.

¹⁸ OECD (2018), *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector*, OECD Publishing, Paris, Section 5.2

Collaboration

■ Fully Aligned ■ Partially ■ Limited ■ Not Aligned



This section evaluates how the Higg BRM encourages collaboration in the due diligence process of brands and retailers. Many of the recommendations in the OECD Garment Guidance may be applied in collaboration at a sector level, directly in partnership with trade unions or through multi-stakeholder initiatives, and indeed collaboration is encouraged throughout the Guidance. Collaboration does not alter the responsibility of the individual enterprise to identify, prevent or mitigate harm. However, collaboration can be used as a means of applying due diligence. While the OECD Guidance provides reference to where collaboration may be beneficial, recommendations on collaboration are not comprehensive.

The Higg BRM includes questions on collaboration which cover the majority of the key areas of collaboration identified in the OECD Garment Guidance, and in many respects goes further than the Guidance. Questions on collaboration in the Higg BRM could be strengthened by driving towards the scale and frequency of such collaboration. The Higg BRM could likewise consider if and how companies are sharing learnings and scaling-up effective solutions across sectors, where relevant. For example, this may be relevant in contexts in which a risk is pervasive to a particular geography and not limited to the garment and footwear sector. The Higg BRM could likewise evaluate whether companies are collaborating on provision of remedy, when appropriate. The Higg BRM could include collaboration with trade unions, which is currently not included in the Section. Finally, the Higg BRM could evaluate whether and how companies are selecting the initiatives for which they are relying on due diligence collaboration.

Recommendations

The following recommendations are based on the evaluation by the OECD of the SAC Brand & Retail Module against the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.¹⁹

Overarching recommendations

1. The Higg BRM should clearly state if aspects of a company's responsibility in relation to labour, human rights and environmental due diligence are not within the scope of the Higg BRM.
2. The Higg BRM should define the term 'social' to include labour and human rights as defined in international instruments.
3. The SAC should consider restructuring the Higg BRM to facilitate and encourage a risk-based approach whereby companies focus on their most significant risks. As a result, companies may not be required to answer all questions across all sections, but rather would be directed to follow-up questions based on their key risks.

Recommendations related to the 6 steps of the due diligence process

Step 1. Embed Responsible Business Conduct in enterprise policy and management systems

4. With respect to company policies, the Higg BRM should strengthen its evaluation of whether member companies have policy commitments on human rights, labour and the environment and whether these policies include recommendations under the OECD Garment Guidance.

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

5. The Higg BRM should align its use of the term 'risk' with the definition included in the OECD Garment Guidance to include risks of harm to people and the environment but not to the business itself.
6. The SAC should strengthen the Higg BRM's risk-based approach to be based on the severity and likelihood of impacts; incorporate the use of assessment methodologies that are appropriate to the nature of the risk, the stage of the supply chain and reflecting the nature of the company's business and sourcing models; and incorporate mechanisms to update the company's understanding of risk.

¹⁹ The OECD recognises that the SAC may not seek to evaluate every aspect of a company's responsibility under the OECD Garment Guidance for Responsible Supply Chains in the Garment and Footwear Sector. However, during interviews with SAC member companies, it was confirmed that companies are relying on the Higg BRM to evaluate their own performance in relation to environmental, labour and human rights due diligence. Within this context, the SAC should clearly state in its communication on the Higg BRM if aspects of a company's responsibility are not within scope of the Higg BRM but are nonetheless the responsibility of the company.

7. The Higg BRM should include an evaluation of how companies are assessing their suppliers associated with more severe risks linked to their raw material production as well as mid-stream suppliers, including those with whom the company does not have a contractual relationship.²⁰

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

8. The Higg BRM should strengthen its evaluation of the quality of a company's formal approach or strategy to prevent or mitigate social and environmental impacts. Quality measures include whether the response is proportionate to the severity of the impact and appropriate to the nature of the risk and developed with meaningful engagement with stakeholders.
9. The Higg BRM should strengthen questions related to purchasing practices in order to reduce the risk of subjective responses and align with existing benchmarks and tested approaches.
10. The Higg BRM should evaluate the actions that the company is taking itself internally to gain control over its supply chain. This may include, for example prequalification of suppliers, moving towards direct sourcing, prequalifying buying agents, consolidating the number of suppliers, amongst other measures.
11. All questions related to the actions that a company takes to address risks in its supply chain should be streamlined in order to reinforce the interrelationship between a company's broader strategy and any specific actions taken with suppliers.
12. Questions related to verifying, escalating and if necessary ending business relationships with supply chain partners should be strengthened to include a measure of quality.
13. The Higg BRM should strengthen its evaluation of how companies are collaborating by driving towards the frequency and scale of such collaborations and including collaboration with trade unions as an option. The Higg BRM could also evaluate how companies themselves are evaluating the initiatives that they are relying on for aspects of their due diligence process (e.g. certifications, initiatives providing supplier training and capacity building).

Step 4. Track

14. The Higg BRM should incorporate an evaluation of the quality of the indicators and targets selected. For example whether they are appropriate to the risk.
15. The Higg BRM should better enable qualitative and flexible reporting on indicators and targets.
16. The Higg BRM should evaluate how companies revise their strategy when they determine that their efforts to address risks are not effective.

Step 5. Public communications

17. The questions related to public communication under the Higg BRM should be adapted to focus on a company's most significant risks and impacts.
18. The Higg BRM should align expectations on public communications across all sections.

²⁰ This recognises that the Facility Environmental Module (FEM) and the Facility Social & Labor Module (FSLM) are only relevant for manufacturing and not currently applicable to agriculture.

19. The Higg BRM should evaluate whether the content of public communications includes all elements recommended in Step 5 of the OECD Garment Guidance and the quality of those communications.
20. The Higg BRM should evaluate the availability and accessibility of public communications. For example, are communications accurate, current, clear and user-friendly and, importantly, do they enable intended users to access information.
21. The Higg BRM could seek to evaluate how companies are communicating with impacted workers and other impacted stakeholders.

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

22. The Higg BRM should evaluate how companies are engaging in processes to enable remediation in relation to impacts which they may have caused or contributed to within their supply chain.

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