

# ECOTEXTILE

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## Due diligence in textile sourcing

Looking beyond compliance to reduce risk and improve lives



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In the first of a series of advisory articles on due diligence in cotton sourcing, Simon Ferrigno introduces the due diligence concept and discusses if it is more than compliance and risk management.

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## Part II. The environment

Regarding ecosystems, issues of biodiversity, soils, existing land cover, water resources and overall land value can sometimes be overlooked.

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## Part III. Economy and society

After exploring some of the environmental considerations for due diligence in the textile supply chain, we tackle economy and society, and how brands and retailers will need to consider these issues down on the cotton farm. Key areas include labour, human rights, legal and regulatory regimes, business practices and even governance and government policy in the cotton sourcing regions of the world.

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## Part IV. Policy and governance

We take a wider look at government and policy issues, how these can impact on sourcing decisions, and how robust due diligence can take brands and retailers much further than some standards or certification programmes ever can.

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## Recommendations

Due diligence is not something that should be taken lightly when developing a company's sourcing strategy, neither is it something that can be picked off the shelf and forgotten about, like relying on a textile standard to make claims on environmental performance or social compliance. We conclude this briefing with general and environmental recommendations, as well as some practical steps for undertaking effective due diligence.

allowing soils to degrade, to erode (beyond their capacity to renew), to lose nutrients, or to release carbon, methane and nitrogen is the opposite of sustainable – and this is something no textile standard or other scheme claiming to offer sustainable cotton really measures. So it is clear that soil is a very good place for responsible brands and retailers to start on project due diligence, especially as with soil we can also see the impacts on biodiversity and climate change.

Soil leads us to the question of land – what land should be farmed, and how? Should you – as a brand or retailer – ever condone clearing land, or forest, woods, or savannah? Should you farm cotton or raise sheep where there are water shortages for domestic needs, or food shortages?

Can you in these cases improve the situation, and make it OK to go ahead?

Due diligence might also suggest that a retailer should source cotton certified to a standard, join a membership body such as a multi-stakeholder initiative, and paradoxically ask that you then check the performance of these, down to determining indicators of your own such as soil tests, where the current indicators or impact data from promoters is insufficient, general or too vague. While joining an initiative might feel like reducing risk, due diligence literature as we saw in Part I of this series (*Ecotextile News, October 2016, pp 54 – 57*) says that responsibility rests with the buyer or user of the raw material, while a check on the standards will suggest there is no data here, on soils, on carbon and GHGs.

MAPPING RISK IN ECOSYSTEMS					
	Identify	Assess	Mitigate	Prevent	Account
Ecosystem	Biodiversity	Uniqueness (endemic species, scientific value) Fragility Current, proposed	Refuges Habitat protection Wildlife corridors	Habitat destruction Land clearance Disturbing food chains	Reports Online databases Open access to data for external parties
	Chemical use Value (economic, spiritual, community) Resilience	Pollution Impacts on neighbouring ecosystems (and from)	Reduce run-off/spray drift	Implement a low impacts farming system No land clearance Maintain land cover, native vegetation	Request expert reviews of due diligence plans and reports to ensure good performance and civil society dialogue
	Soils	Fertility	Test soils and adapt fertility management to build fertility, soil carbon, water retention capacity	Optimise soil fertility management Excessive use of mineral fertilisers	Regular soil testing, reporting via accredited agency/consultancy
		Erosion	Use green manures and composts etc. Improve ploughing and tilling, ensure soil cover outside growing season	Post-harvest cover crops, mulching.	
		Carbon sequestration and potential	Build soil organic matter, ensure least disturbance of soil	Excess irrigation Groundwater depletion Freshwater pollution	Monitor and report
	Water	Availability Stress Current use Current users Needs Sources Recharge and harvesting	Reduce use – optimal consumption Invest in water management Invest in water recharge/harvesting Support access to water for important uses	Excess irrigation Groundwater depletion Freshwater pollution Nitrate leaching	Monitor and report
	Land cover and use	Wooded areas (forest, woods, savannah) Existing farm land Current land uses	Reforestation Agro-forestry Respect local users and uses	Ban land clearance and deforestation No land-grabs No land deals in conflict areas and extreme care with land deals in countries with poor governance or poor human rights records	Report, monitor, consult local communities, ensure grievance mechanisms are in place Work with and be transparent with civil society and human rights organisations

**MODERN SLAVERY ACT AND DUE DILIGENCE**

Modern slavery act coverage	Requirements	Due Diligence
Slavery, forced labour, bonded labour (e.g., debt bondage), coercion, compulsion, etc.  Men, women, children	Disclosure (if turnover over £36 million) – slavery and trafficking statement  Supply chain maps, policies, due diligence procedures, areas of risk, indicators  Review existing actions, policies and procedures	Human Rights Due Diligence  Review supply chain and assess partners and risks  Map supply chain  Rank and prioritise risks  Assess level of contribution of the business to problem(s)  Mitigate, remedy and/or prevent  Monitor performance, report, communicate (modern slavery report – slavery and human trafficking statement) steps taken

**SEDEX'S INDICATORS FOR MODERN SLAVERY - SEDEX (2016) GUIDANCE ON OPERATIONAL PRACTICE AND INDICATORS OF FORCED LABOUR**

Recruitment	Employment	Exit
<ul style="list-style-type: none"> <li>Workers charged illegal or excessive recruitment fees</li> <li>Workers uninformed or misinformed about terms of employment</li> <li>Workers not provided with understandable, legally compliant written contracts</li> <li>Fraudulently charging fees for travel, health checks, or work documentation</li> </ul>	<ul style="list-style-type: none"> <li>Excessive or illegal wage deductions</li> <li>Requirement to stay in company or broker-controlled housing</li> <li>Workers unable to enter or leave the premises freely</li> <li>Identity documents confiscated or withheld</li> <li>Wage deductions used as a disciplinary measure</li> <li>Physically abusive or humiliating discipline and termination process</li> </ul>	<ul style="list-style-type: none"> <li>Workers visa and work permit used to a single employer</li> <li>Monetary penalties or withholding of wages for early contract termination</li> <li>Worker forced to pay for return travel to their home</li> <li>Undocumented migrants threatened with notification of authorities if they leave employment</li> <li>Workers forced to pay financial deposits or "security" fees as "runway insurance"</li> </ul>

Source: Sedex Modern Slavery Briefing

Further questions will include who makes local planning decisions? Is there proper democracy? Is there corruption? Proper oversight? Are benefits and profits adequately shared with workers, local people, workers and businesses? What livelihoods are affected, what other jobs? These days, you might also need to worry about whether you are paying the minimum or living wage, and investing in the community, or checking what impacts your investments and sourcing is having on other needs, such as food production, or water. Finally, as Agence Française de Développement (AFD) stresses, looking at the quality of contracts for land tenure is important.

**New rules of sourcing**

There are new tools and rules for brands to follow, on top of the various OECD and AFD guidelines, legally binding ones such as the Modern Slavery Act and a similar law in California, the EU non-financial reporting directive and the voluntary UN Guiding

Principles. Reporting on modern slavery – labour and human rights – is now a legal requirement for many brands.

As with due diligence, the Modern Slavery Act requires companies to go beyond only those parts of the supply chain under their direct control. It applies to everyone in the full supply chain. As with due diligence, it is not a bad idea to be working with external partners, including on risk assessment, impacts assessments, monitoring and reporting. A good traceability system, with a requirement that suppliers take part and map their own suppliers and contractors is also a must.

A Human Rights Impacts Assessment would also look at labour rights, as well as the specific problems affecting women and children, how people are recruited, and by who, all the way down to who collects the pay packet, or who skims someone's pay. Of course, all this will be difficult if not impossible at first in informal

	Cotton made in Africa (CmiA)	Global Reporting Initiative	OECD Guidelines for Multinational Enterprises (2011)	Sustainability Assessment of Food and Agriculture systems (SAFA)
Production efficiency / productivity	✓ (within 3 years)	✓ (immediate)	✗	✗
Long term sustainability management plan / continuous improvement	✓ (immediate)	✓ (immediate)	✗	✗
Administration and management / business plan	Requirement covered: ✓	Requirement covered: ✓	Requirement covered: ✓	Requirement covered: ✓
	Degree of obligation: <b>Immediate</b>	Degree of obligation: <b>Immediate</b>	Degree of obligation: <b>Recommendation</b>	Degree of obligation: <b>Recommendation</b>
	Explicit reference: ✓	Explicit reference: ✓	Explicit reference: ✓	Explicit reference: ✓
	<i>Immediate obligations:</i> Policies are developed by the Managing Entity, describing the overall position of the unit with regards to the CmiA claim. The Managing Entity actively communicates position and policies within the CmiA unit.	<i>Immediate obligations:</i> All organisations should have an understanding and plan for how to comply with, and respond to, breaches of laws, regulations, international human rights standards and voluntary codes. Compliance with environmental standards, labour rights and food safety in particular cannot be treated as optional behaviours in any enterprise. Using board agendas or other governance records, there is need to establish that: any breaches of the law, regulation, international human rights or voluntary codes are reported to the board, and that these have been examined and that the enterprise has records of how they were dealt with.	<i>Recommended obligations:</i> Governance structure and composition: Transparency on the governance structure and composition of the organisation is important to ensure the accountability of the relevant bodies and individuals. These Standard Disclosures describe how the highest governance body is established and structured in support of the organisation's purpose, and how this purpose relates to economic, environmental and social dimensions. The highest governance body sets the tone for the organisation, and has a major role in defining its purpose, values and strategy.	<i>Recommended obligations:</i> Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.

As we saw with the French approach, due diligence is also more flexible, and can reflect culture and context in a way standards with their criteria based approaches cannot. Due diligence with its recipe of assessing risks and impacts, disclosure, amendment, mitigation, resolution, consultation and reporting goes further, and demands fairness to all impacted.

In this briefing, we have used the case of growing organic cotton in the Lower Omo Valley of Ethiopia to demonstrate something that is not sustainable, and something that due diligence would see being treated differently. The example highlights the limitations of certification and the additional scrutiny that due diligence brings. We have a farm certified organic, on land cleared of woodland savannah, with impacts on local biodiversity and the fragile ecosystem of Lake Turkana in neighbouring Kenya, and the displacement and loss of traditional livelihood for the Kara people.

Robust due diligence would reject, one hopes, such an investment. This is the interconnect- edness of the world that certification and standards do not capture, but due diligence does. Brands need the second more than the first, but probably both.

We also need a better definition of where the red lines lie in due diligence. Mitigation can be a double edged concept, as it can imply that some things can go ahead as long as harm is reduced. But where do we draw the line? That is unclear to date, and it is in brands' own interest that this be cleared up, to reduce the risks to their reputation of bring criticised for their actions. Here, it is up to the institutional promoters of due diligence like the OECD and AFD to be clear on what should not be allowed. While methodologies are rightly reluctant to be too prescriptive, some areas demand it, especially on critical areas like labour, human rights, climate change, scarce resources, soils and water: the underpinnings of a sustainable economy and a ultimately of a much fairer global society. ○