



Due Diligence & Cotton Production

Thursday 23 June: 14:45 – 15:40 (55 min)

With Speakers:



Maria Luisa Martinez Diez
Public Affairs Director
| Global Fashion
Agenda



Isabelle Roger
Senior Policy Advisor
| Solidaridad



Rashad Abelson
Legal Expert,
Responsible
Business Conduct
| OECD



Patricia Jurewicz
Founder and CEO
| Responsible
Sourcing Network



Ajay Sharma
Head Supply Chain
Management and
Raw Material
Procurement | The
Raymond Group

Facilitator:



Lisa Ventura
Public Affairs
Manager
| Better Cotton



Due diligence for responsible supply chains in the garment and footwear sector:

Deep dive on cotton supply chains and “choke points”

Rashad Abelson, Legal Expert

OECD Centre for Responsible Business Conduct

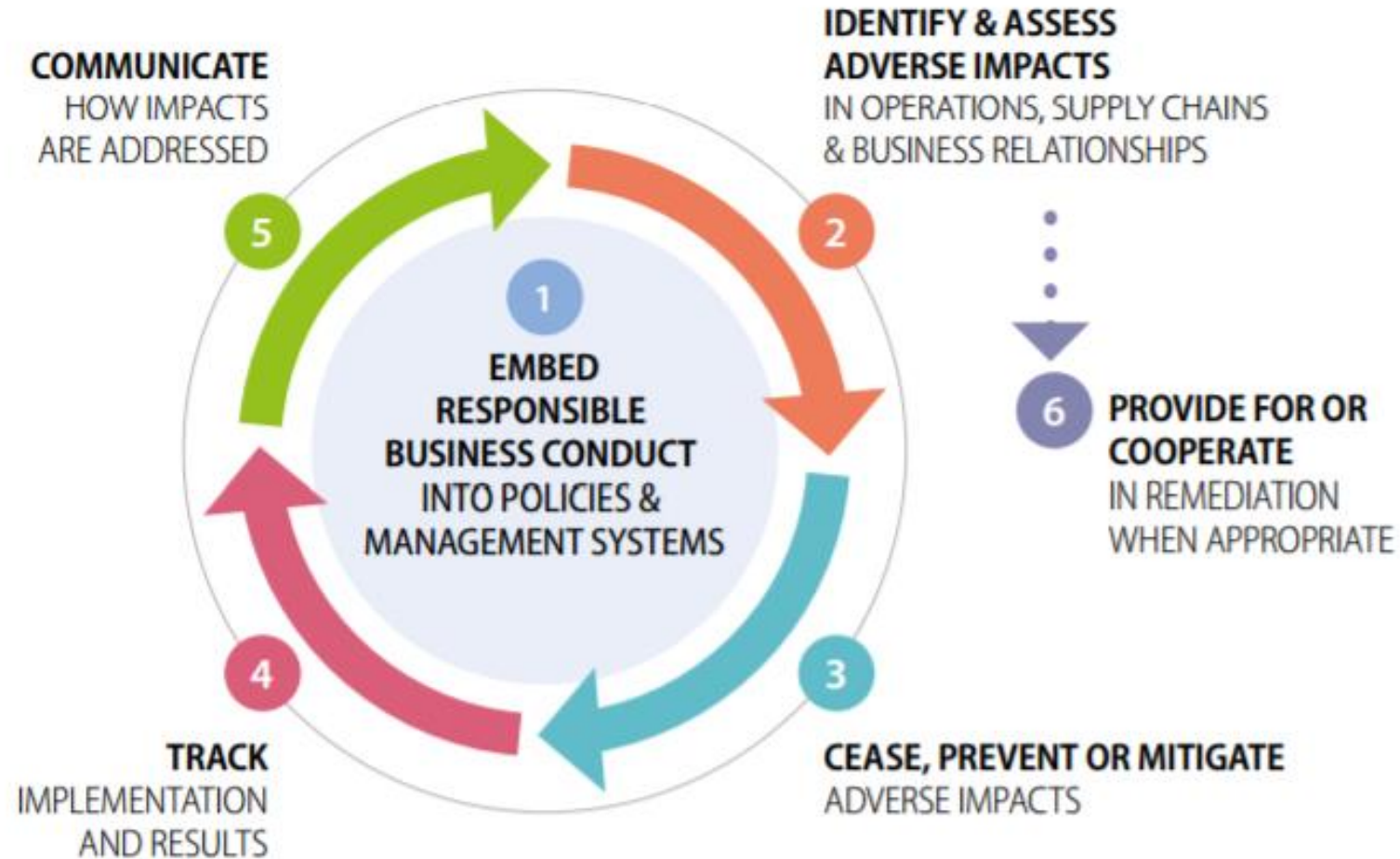


In this presentation...

- What do OECD due diligence standards say about supply chain mapping?
- Challenges in mapping the entire supply chain
- Using “choke points” and collaborating with other stakeholders



6-Step Due Diligence Framework





OECD RBC Due diligence: The basics

Objectives: Avoiding, preventing, mitigating and remediating adverse impacts on people, the environment and society.

Scope

- Own operations + business relationships across supply chains
- Broad scope of RBC issues (human rights, environment, labour corruption, consumer interests etc).

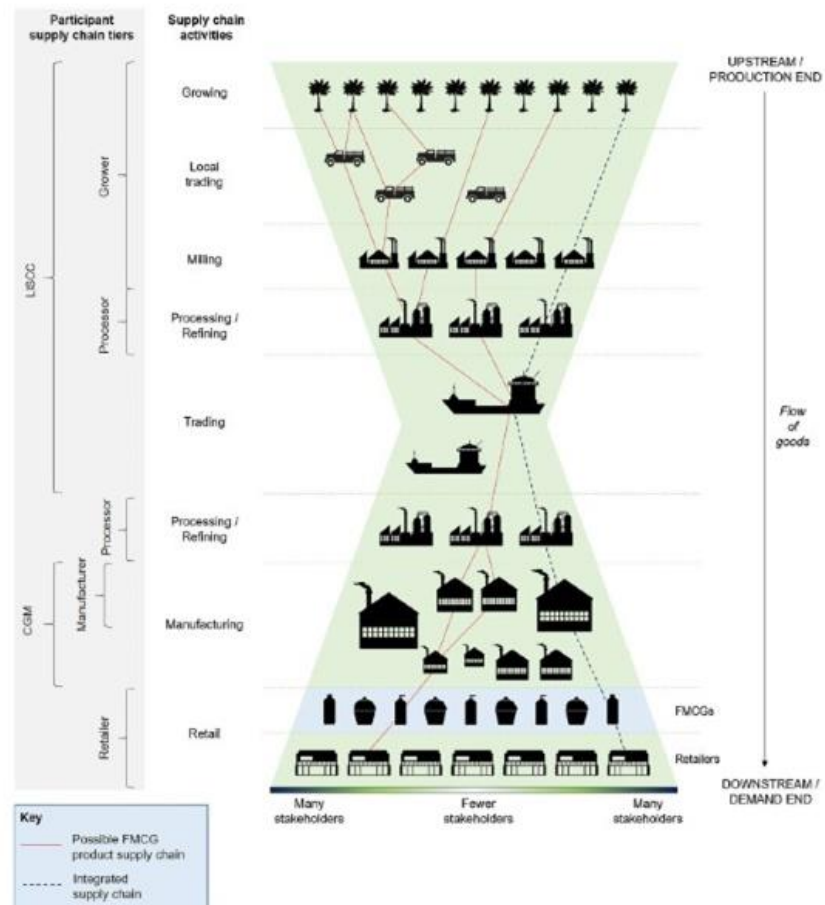
Implementation

- ✓ Ongoing
- ✓ Integrated
- ✓ Focused on progressive improvement
- ✓ Risk-based



Step 2: Identify actual and potential impacts in the company's own operations and in its supply chain

Identifying control points in supply chains

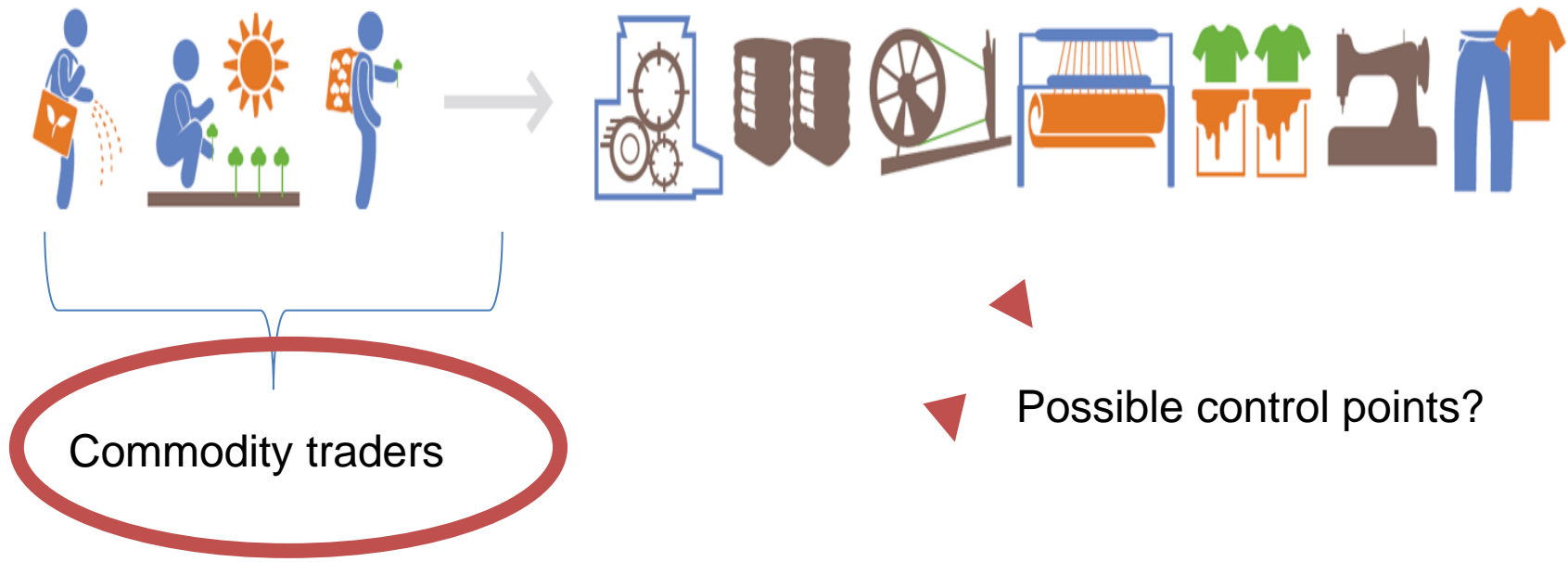


Choke points tend to be at:

- Key points of transformation in the supply chain
- Stages in the supply chain that generally include relatively few actors that process a majority of the commodity
- Stages in the supply chain with visibility and control over the circumstances of production and trade upstream.



Choke points in cotton supply chains





Industry collaboration and practical use of choke points

Engaging with choke points

Contractual requirements

Including requirements in contracts with supplier and business relationships that choke points be identified (on a confidential basis)

Sourcing from pre-selected suppliers

Asking suppliers to source from the choke point companies that source responsibly (e.g. pass OECD-aligned due diligence audit)

Working with industry info sharing schemes

Using confidential information-sharing systems on suppliers and/or through industry wide schemes to disclose sources of raw material



Thank you!

Policy Hub

The Policy Hub – Circularity for Apparel & Footwear unites the industry to speak in one voice and propose policies that accelerate circular practices.



Policy Hub's position on the Corporate Sustainability Directive:

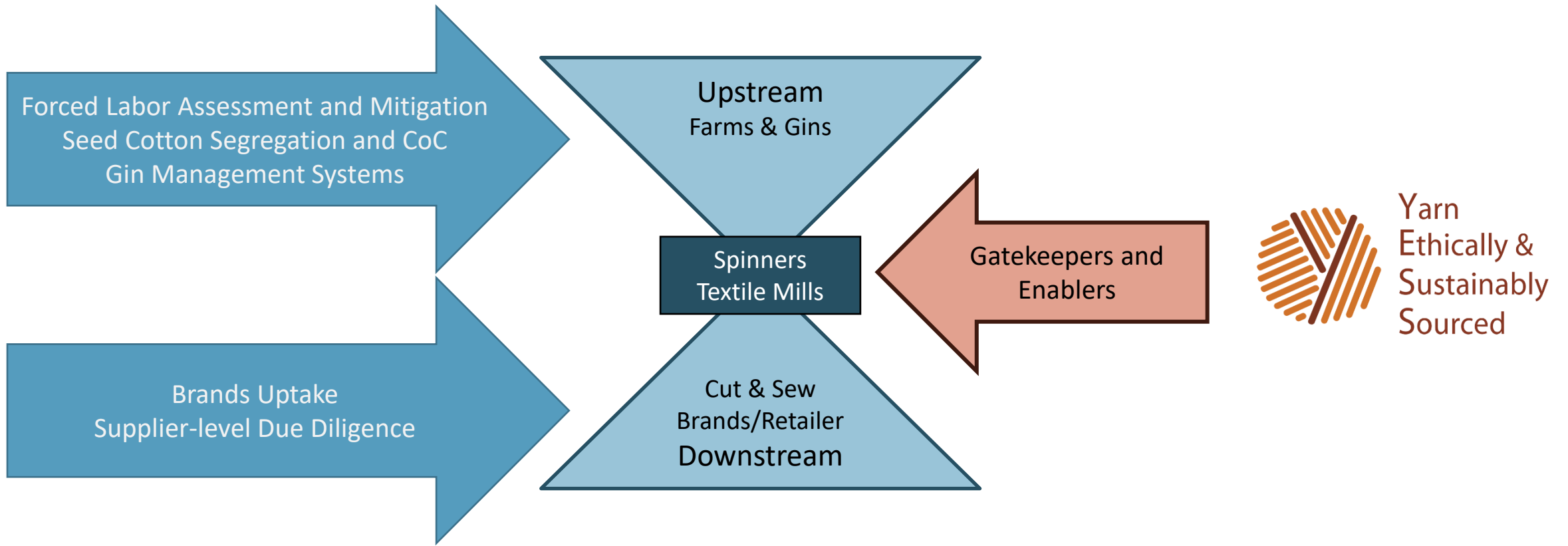
The Policy Hub:

- welcomes the CSDD as a first step to ensure that human and environmental standards are upheld in the supply chains;
- asks for stronger harmonisation at EU level to provide an even level-playing field;
- encourages the legislators to strengthen even further the alignment and coherence with international standards.



YESS Contributes to a Full Value Chain Solution

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Insights from YESS Pilot Spinning, Knitting, & Weaving Mills

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- ❑ All facility types require due diligence training and support
- ❑ Establishing the credibility of the YESS process within the industry is critical
- ❑ Education on different forms of forced labor at cotton field level is needed
- ❑ There needs to be a more detailed assessment of forced labor (types and location)
- ❑ Spinning mills are able to trace origin of cotton lint through their processes from receipt at warehouse, to laydown, to finished yarn
- ❑ Basic YESS management system expectations are fairly easy for mills to meet, however there needs to be training and support (especially during the first two years)

BEYOND RISK MITIGATION

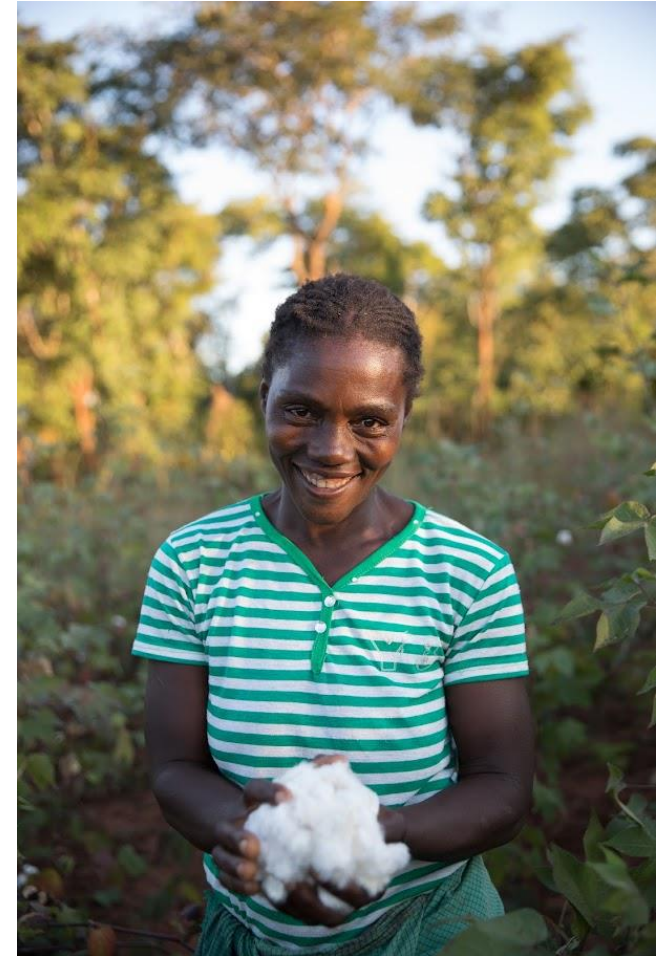
ENGAGEMENT FOR CONTINUOUS IMPROVEMENT

Due Diligence is NOT risk mitigation:

- Not just to avoiding legal or reputation risks.
- Not changing cotton sourcing origin - only as last resort.
- Not to cascade down responsibility and costs for change, compliance and traceability on suppliers.

It is about **engaging with suppliers, including indirect ones such as cotton farmers**, on a continuous improvement process:

- **Supporting farmers** (through capacity building and financial support) to transition towards more sustainable practices.
- It is about **collaborating** with other companies in the sector, civil society, producer representatives and governments.
- It is about **responsible sourcing practices** that enable suppliers to respect human rights, including living wage for workers and living income for farmers.





Cotton +
Climate Action

Thank you

