

Brand Performance Check Guide

ASSESSMENT PERIOD: FINANCIAL YEARS STARTING IN 2023

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Introduction

The Brand Performance Check, conducted at all Fair Wear member companies, is the most important element of Fair Wear's unique 'shared responsibility' approach to improve working conditions in garment, textile, and footwear supply chains. Fair Wear believes that improving conditions for factory workers requires change at multiple levels. Traditional efforts to improve conditions focus primarily on the factory. However, the management decisions and practices of brands have an enormous influence on factory conditions. In other words, factory conditions cannot be separated from brands' business practices.

Fair Wear's Brand Performance Check is a tool to evaluate and publicly report on the Human Rights Due Diligence efforts of Fair Wear's member companies. During a performance check, Fair Wear investigates how far member companies have integrated human rights due diligence into their core business practices and assesses how the practices of member companies support the Fair Wear Code of Labour Practices (CoLP). Each Brand Performance Check report is published online for transparency and accountability. Through these reports, Fair Wear member brands demonstrate the changes that are possible.

This new edition of the Brand Performance Check incorporates lessons learned from past performance checks while reflecting the need to integrate Fair Wear's new risk-based approach. Fair Wear's new approach is in closer alignment with the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector adopted in 2017. As a result, Fair Wear has adopted a layered approach to performance checks, meaning the system is more flexible when it comes to accommodating different risks, priorities, and strategies in a brands' supply chain.

This approach defines a basis to which all members must adhere while letting frontrunners advance further. Catering to the specifics of the member's supply chain, it helps prioritise taking actions on its most significant risks and requires remediation of actual harm. The benefits of a layered approach include rewarding specific, innovative supply chain behaviour and providing flexibility to integrate new policies. The system is designed to clearly articulate measurable targets for companies, facilitate comparison between peers, help the decision making of investors and financers, and encourage alignment with other existing industry standards and tools.

This performance check guide explains the expectations for Fair Wear member companies' human rights due diligence as described in the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. The system is designed with enough flexibility to accommodate the variety of business models and clothing markets represented in Fair Wear's membership.

More in-depth information and additional details on all sections addressed in this guide can be found on the Fair Wear Member Hub under the Brand Performance Check and FAQ sections.

The Fair Wear Code of Labour Practices



Scope of Fair Wear membership

Fair Wear expects members to have a Human Rights Due Diligence policy as part of a wider Responsible Business Conduct (RBC) policy, which encompasses "Human rights, including workers and industrial relations, environment, bribery and corruption, disclosure, and consumer interests" (OECD Due Diligence Guidance for Responsible Business Conduct, 2018). The Human Rights Due Diligence Policy should be supported by a Human Rights Due Diligence system. Following Fair Wear's scope, members are expected to conduct human rights due diligence in the world of work.¹ The full definition can be found in the footnote, but briefly stated, we consider the world of work to include everything arising out of work, including the commute to and from work.

While Fair Wear focuses on the assembly stage of garment and textile production, we fully acknowledge that companies face a broader range of RBC risks across their operations and full supply chain. Brands should identify these in line with a risk-based due diligence approach – one that prioritises the most severe (potential) harms to which they are related. They should address these (potential) harms by ceasing, preventing, mitigating and remediating potential harms in line with brand's relationship to the (potential) harm. Members are encouraged to extend Fair Wear's systems, requirements, and guidance to other stages in their supply chain. These efforts are rewarded in indicator 3.18.

(a) In the workplace, including public and private spaces where they are a place of work;

(b) In places where the worker is paid, takes a rest break or a meal, or uses sanitary, washing and changing facilities;

(c) During work-related trips, travel, training, events or social activities;

(d) Through work-related communications, including those enabled by information and communication technologies; and

(e) In employer-provided accommodation; and

(f) when commuting to and from work.

WHAT STAGES OF GARMENT SUPPLY CHAINS ARE COVERED?

Fair Wear uses an 'everything after fabric' definition to define the scope of requirements. This covers all production locations involved in the steps of product assembly after the production of fabric, leather, trims, or other component parts.

Within the assembly stage of garment production, Fair Wear distinguishes between two groups of production processes, both covered by Fair Wear membership:

CUT-MAKE-TRIM (CMT) is the main process of assembling products – primarily by sewing, but sometimes using other techniques, like bonding or gluing.

SUPPORT PROCESSES include cutting, embroidery, screen printing, washing, ironing, garment knitting, packing, finishing and any other related processes used to transform raw material into finished garments.

WHAT KINDS OF PRODUCTS ARE COVERED?

Fair Wear membership covers:

-) Garments, clothing, fashion apparel
- Outdoor products
- Outdoor wear
-) Sports and activewear
- **)** Footwear
-) Workwear
- Bags & backpacks
-) Luggage & other travel accessories
- > Home and furniture textiles
- Promotional wear and accessories
- Accessories

Fair Wear only places limits on included product types for pragmatic operational reasons, not because risks do not exist for those products. We have developed a detailed list of products covered by Fair Wear membership, using selected product types and codes defined by the World Customs Organisation Harmonized System of Product Codes. For questions about specific products, please refer to the Member Hub FAQ or contact your Brand Liaison.

WHAT NATURE OF BUSINESS IS COVERED?

All companies have a responsibility to conduct due diligence regardless of their size or operational context. However, how a company conducts due diligence is dependent on the nature of the business and who commissions the product.

Within the scope of Fair Wear, members' responsibility for human rights due diligence extends to **all products that members sell with their brand logo/name**, directly or through an agent or other intermediary, for all (sub) brands owned or managed by the member. This includes:

- Any product bearing the name or logo of a brand owned or managed by the member.
-) Any unbranded product designed for resale to another brand.
- Any so-called 'Private Label' items typically those manufactured or provided by one company for offer under another company's brand.
- > Products with the member's logo/brand name sold through licensees.
- Products sold through design collaborations that include the member's logo/brand name.
- > Any product rebranded for or by an end consumer that is not a clothing brand (e.g., airline uniforms, printers of publicity t-shirts, such as for concerts, government uniforms, and so on).
- > Unbranded, ready-made products bought from a third party, when the member's name (or customer's name) is added at the last stage.

Products bought by member companies from other brands, sold in a retail or wholesale (web)shop owned or operated by the member, but not bearing the member company's own brand(s)/label(s), are of a different nature and assessed in one indicator only (4.2).

Basic Membership Requirements

All Fair Wear member companies must meet three basic membership requirements. Failure to meet these requirements means that a Brand Performance Check cannot be conducted. This will lead to a Needs Improvement status (see page 13 for more Performance Check categories) and can eventually lead to the termination of Fair Wear membership.

Please see <u>Fair Wear Procedure for terminating membership</u> for more information on termination proceedings.

BASIC REQUIREMENTS

- 1. SUBMIT DEFINITIVE PRODUCTION LOCATION DATA FOR THE PREVIOUS FINANCIAL YEAR
- **2.** PAY THE MEMBERSHIP FEE

Brand performance check timeline and deadlines

Fair Wear aligns Brand Performance Checks with the financial years of individual member brands. This means Fair Wear's processes will mirror the financial and reporting cycles of each member, and all assessments will be carried out over a 12-month period.

The following cycle applies to all member companies:

Maximum 60 days after the report of the performance check is shared:

Due date for the brand action plan.

Minimum 60 days before the end of the financial year:

Due date for the projected production location information for the upcoming financial year.

Maximum 90 days after the end of the financial year:

Due date for the actual production location information, financial documents, and social report for closed financial year.

90-120 days after the end of the financial year:

Brand Performance Check is carried out.

Performance check categories

Based on their final score from the annual Brand Performance Check each member is assigned a performance benchmarking category.

Leader: This category is for member companies who score exceptionally well and operate on an advanced level. Leaders have made substantial progress in embedding and implementing human rights due diligence, especially strong risk identification and prioritisation, and prevention and remediation of (potential) harms. Leaders demonstrate responsible purchasing practices and demonstrate best practices in complex areas such as living wages and freedom of association. They also continuously review their internal processes and supply chain, regularly making improvements and adjustments.

Good: Member companies who are making a serious effort to implement human rights due diligence are 'doing good,' and their efforts deserve to be recognised as such. They have set up strong policies and systems and are well underway in implementing responsible purchasing practices. Member companies within the Good category are progressing towards meeting all Fair Wear membership requirements and engage in prevention and remediation of (potential) harms. Most member companies receive a Good rating.

Needs Improvement: Member companies are most likely to find themselves in this category when problems arise that prevent them from implementing steps required to fulfil Fair Wear membership requirements or if they have not been able to demonstrate sufficient evidence of improvement during the annual performance check. Member companies can only be placed in this category for one year, after which they need to earn a Good rating or face termination, following the updated termination policy. The existence of the last category is essential to protect Fair Wear's legitimacy and to prevent 'greenwashing' or 'free-riding' by a small number of member companies who underperform. The categories provide a clear impro-ve-or-exit path.

Please see <u>Fair Wear's Procedure for terminating membership</u> for more infor-mation on termination proceedings.

Assigning performance categories

The performance benchmarking category for each member is determined by the result of layer 1 and the Benchmarking Score of layers 2-4.

Fair Wear expects its member companies to have answered YES to a minimum of seven indicators in layer 1 to be eligible for Leader status. Answering NO four times or more in layer 1 will lead to automatic Needs Improvement.

Layers 2 – 4 of the Brand Performance Check result in scores for the performance indicators. Member companies are assessed on the indicators that are relevant for them, meaning each company has its own maximum score. These individual indicator scores are added up and then divided by the maximum points to create an overall Benchmarking Score.

To reflect the learning curve of Fair Wear membership, the thresholds increase by length of membership. A company that has been a member for three years should be performing better than one that joined only one year ago. Joining Fair Wear is not a seal of approval; it is a commitment to a process of continuous improvement. Moreover, as more performance checks are conducted, more in-depth information is revealed. A first performance check constitutes the initial scan of the member company's practices; the subsequent performance checks may reveal other results given increased knowledge about the member's supply chain. A similar approach is applied in scoring per indicator. Advanced scores are given to brands that show an integrated approach applicable to all suppliers. Intermediate scores recognise that brands are well underway but have not fully implemented the desired approach throughout their entire supplier base.

	LEADER	GOOD	NEEDS IMPROVEMENT
1st performance check	Score 75+	Score 30-74	Score <30
2nd performance check	Score 75+	Score 40-74	Score <40
3rd performance check and beyond	Score 75+	Score 50-74	Score <50

NOTE: This edition of the Brand Performance Check guide has undergone significant changes compared to previous versions. This new set of indicators will be used to evaluate the financial years starting from 2022 onwards However, for 2022 and 2023, the first two years of implementation, the scoring is slightly adjusted to allow existing members a phasing-in period to get policies and processes in order. See the tables below.

Adjusted scoring for the assessments of financial years starting in 2022:

	LEADER	GOOD	NEEDS IMPROVEMENT
1st performance check	Score 65+	Score 30-64	Score <30
2nd performance check	Score 65+	Score 40-64	Score <40
3rd performance check and beyond	Score 65+	Score 40-64	Score <40

Adjusted scoring for the assessments of financial years starting in 2023:

	LEADER	GOOD	NEEDS IMPROVEMENT
1st performance check	Score 70+	Score 30-69	Score <30
2nd performance check	Score 70+	Score 40-69	Score <40
3rd performance check and beyond	Score 70+	Score 45-69	Score <45

NOT APPLICABLE (N/A) CONDITIONS:

Member companies may receive a 'Not Applicable' score for some indicators if they are not relevant to that particular member. These indicators are removed from that member's score calculations. For example, should a member not have started a new business relationship, it will receive N/A in indicator 2.5. The maximum number of points to gain with indicator 2.5 is six. Hence the total **possible** points for that member is reduced by 6. Not Applicable indicators will neither harm nor improve a member's overall score.

REPEATED NON-COMPLIANCE

Fair Wear's repeated non-compliance policy is integrated throughout layers 2 and 3. This policy kicks in when members repeatedly fail to follow up on requirements related to high-impact indicators. Several indicators are deemed of such importance or urgency, owing to the severe consequences on workers' lives, that recurring non-action is unacceptable. This would negatively affect Fair Wear's and its members' credibility to ensure step-by-step improvements in working conditions. Fair Wear and its stakeholders selected 2.3, 2.7, 3.6, 3.7, 3.10, 3.14, 4.6 as the indicators where remediation/follow-up should be guaranteed within a year.

In this performance check guide, all indicators with -2 at the insufficient score fall within this repeated non-compliance policy. When it becomes clear during a performance check that a member did not follow up on a non-compliance that led to a minus two score in *the previous performance check*, the member brand will be placed in the Needs Improvement category. This will occur no matter the outcome of the overall brand performance check score. By the time this measure is taken, the brand will have had at least one full year to follow up on severe underperformance on the crucial requirement for the indicator in question.

Using and interpreting performance check categories and results

The Brand Performance Check system is designed with enough flexibility to accommodate the variety of business models and clothing markets represented in Fair Wear's membership. There are different strategies and solutions for reaching the same goal, and Fair Wear's system recognises that. It does not prescribe a one-size-fits-all model; instead, it tailors its requirements to the members' supply chain risks and needs. Examples of how Fair Wear achieves this flexibility and alignment include:

- > The organisation of a member company's supply chain determines the monitoring needs (i.e., we do not prescribe a fixed monitoring system).
- Assessing progress on prevention, mitigation and remediation based on risks instead of relying on audit findings alone.
- Aligning with OECD guidelines means allowing for the use of monitoring and risk information from other initiatives. This also means that several of Fair Wear's requirements and activities will be considered and/or used by other initiatives and standards.
- > Understanding that larger supply chains mean more effort and capacity is needed. However, they may also create more efficiency in risk assessments.
- Taking into consideration that smaller brands with fewer factories or low leverage may face challenges setting up the required proper systems by acknowledging their sourcing decisions, collaboration, and progress.

The Performance Check system provides several benefits, such as:

- > Strengthening Fair Wear members' accountability and transparency
- > Clearly communicating member successes
- > Explaining progress and needs to colleagues at clothing brands (i.e., buyers, production managers, and stakeholders)
-) Giving targeted feedback to companies on how to improve
- > Providing a clear improvement or exit path for underperforming members
- Offering consumers and other stakeholders information about Fair Wear member companies

The level of transparency and accountability that Fair Wear members open themselves up to is unique for the industry. Through the Brand Performance Check, Fair Wear gains detailed insight into the members' systems, procedures, financial situation, supply chain data, and more. Very little, if any, of this information is typically shared with third parties, demonstrating the high level of accountability that sets Fair Wear members apart as frontrunners. Fair Wear strives to always raise the bar, ensuring its members remain on a path of continuous improvement.

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Company profile

Member since	Dd/mm/yyyy
Product types	
Business type	Retail /Wholesale /B2B/other
(Main) selling markets	
Production countries, including number of production locations and total production volume	(per country include number of production locations and total production volume)
Percentage of CMT production versus support processes	
Percentage of FOB purchased through own or joint venture production	
Percentage of FOB purchased directly	
Percentage of FOB purchased through agents or intermediaries	
Percentage of turnover of external brands resold	
Are vertically integrated suppliers part of the supply chain?	
Audits	XX% Fair Wear XX% Other initiative/'external' XX% Own audits
Number of complaints received last financial year	
Member of other initiative	

Layer 1 - Foundational system's criteria

Indicator

- 1.1 Member company has a publicly shared Human Rights Due Diligence Policy that has been adopted by top management. The policy supports the Code of Labour Practices and is in line with the OECD guidelines, tailored to the specificities of members' supply chains and/or oper- ations. For the expected content and scope, see: 'Fair Wear Human Rights Due Diligence Policy'
- 1.2 All member company staff are made aware of Fair Wear's membership requirements, in particular the Fair Wear's HRDD policy and Fair Wear's Code of Labour Practices. Members raise the internal awareness of staff, whose decisions and practices can indirectly affect labour rights (for example, sales, design, marketing). For instance, through joining induction training, newsletters, brand manuals, meetings etc.
- 1.3 All staff who have direct contact with suppliers are trained to support the implementation of Fair Wear requirements, in particular the Fair Wear's HRDD policy and Fair Wear's Code of Labour Practices. The focus is on behavioural change and ensuring the appropriate knowledge level needed to embed human rights due diligence. Member companies should train staff whose decisions and practices can most immediately affect labour rights (i.e., procurement, sourcing, quality, compliance and so on) on responsible business practices. Staff are encouraged to join the Fair Wear new member seminar when offered note that training can take on different forms and may not always need to be repeated every year.
- 1.4 Specific staff is designated to follow up on problems identified in the due diligence process, including grievance handling. The staff person(s) must have the necessary competence, knowledge, experience, and resources.
- **1.5** Member company has a system in place to identify all production locations, including a policy for unauthorised subcontracting.
- 1.6 Member company discloses internally through Fair Wear's information management system, in line with Fair Wear's Transparency Policy. Please consult the <u>Fair Wear Transparency Policy</u> for more information.
- 1.7 Member company discloses externally on Fair Wear's transparency portal, in line with Fair Wear's Transparency Policy. Please consult the Fair Wear Transparency Policy for more information.
- Member complies with the basic requirements of Fair Wear's communication policy Please consult the Fair Wear Communications Guide for more details.

Yes/No & Comments + Requirement(s) if applicable

Actual % of disclosure

Actual % of disclosure

Layer 2 – Human rights due diligence, including sourcing strategy and responsible purchasing practices.

INDICATORS RELATED TO SOURCING STRATEGY:

2.1 Member company's sourcing strategy is focused on increasing influence to meaningfully and effectively improve working conditions.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company's sourcing strategy is focused on increasing influence through consolidation <u>and</u> active cooperation to influence labour conditions.	Member company's sourcing strategy is focused on increasing influence through consolidation <u>or</u> active cooperation to influence labour conditions.	Member company's sourcing strategy is focused on addressing labour conditions.	Member company's sourcing strategy does not address influencing labour conditions, or the member does not have a sourcing strategy.

Relevance

Most clothing brands outsource production to factories they do not own. This means that brands have influence without direct control over working conditions in some or all of these production sites. Still, they have the responsibility to facilitate good working conditions. Fair Wear expects members to adjust their sourcing strategy to increase their influence over working conditions. Generally speaking, member companies with a larger share of production at one specific location will have greater leverage with factory managers to influence working conditions. Leverage – or the ability to affect change – can also be achieved through consolidation, collaboration with other brands, or working with a main supplier to increase leverage over several production locations. Members should aim to keep the number of production locations at a level that allows for the effective implementation of responsible business

practices. Fair Wear acknowledges that this approach requires a careful balance to protect suppliers from over-dependency on and vulnerability to purchasers' buying decisions.

Documentation

Strategy document; consolidation plans, examples of implementation.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

2.2 Member company's sourcing strategy is focused on building long-term relationships.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company's sourcing strategy combines main- taining long-term relationships with long range contracts.	Member company's sourcing strategy is focused on maintaining long- term relationships and occasionally commits to long- range contracts.	Member company's sourcing strategy is focused on maintaining long- term relationships.	Member company's sourcing strategy is not focused on building long-term relationships, or the member does not have a sourcing strategy.

Relevance

Stable business relationships underpin the implementation of the Code of Labour Practices and give factories a reason to invest in improving working conditions. Fair Wear expects members to commit to long-term relationships in contracting, which, in turn, allows factories to commit to improving working conditions.

Brands who commit to orders for several years or more provide the financial stability and predictability needed for a supplier to implement measures that uphold the CoLP (e.g., providing stable contracts to its workers, addressing complex issues, such as gender-based discrimination and harassment, and establishing thriving workplace dialogues and freedom of association).

Fair Wear recognises and values brands' long-term relationships with their suppliers, more explicitly considering relationships that exist for more than five years. Intermediate efforts mean that a brand occasionally commits to long-range contracts (e.g., with a specific production location or for a specific product).

Advanced efforts mean that brands have embedded long- range contracts or long-range commitments into their sourcing policy, which is implemented across the supplier base.

Efforts that result into disengagement of factories due to insufficient progress on social compliance or due to government policies that negatively impact human rights, will not lead to a stricter assessment in this indicator.

Documentation

Strategy documents; % of FOB from suppliers where a business relationship has existed for more than five years; Examples of contracts outlining a commitment to long-term relationship; Evidence of shared forecasting.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy. Brand Guide - Freedom of Association and the Right to Collective Bargaining (p. 48-51).

2.3 Member company conducts a risk scoping exercise as part of its sourcing strategy.

МАХ			MIN
6	4	2	-2
Advanced	Intermediate	Basic	Insufficient
Member company conducts system- atic risk scoping on all levels and adjusts its sourcing strategy based on the results.	Member company conducts system- atic risk scoping exercises on all risk levels.	Member compa- ny conducts risk scoping that does not include all risk levels.	Member company does not conduct a risk scoping ex- ercise as part of its sourcing strategy.

Relevance

Human rights due diligence requires companies to undertake reasonable steps to get to know the circumstances in which (potential) business partners and licensees operate to learn about specific risks. As described in Fair Wear's Human Rights Due Diligence Policy, a broad risk scoping exercise is necessary to identify where human rights risks are most likely to be present and most significant.

Members should scope human rights risks on the country, sector, business model, sourcing model, and product levels. Through this scoping exercise, members should form an understanding of the risk of harm they encounter in their supply chain, identify significant risks, and establish a risk management system (for example Fair Wear's Risk Scoping Tool) to mitigate these risks. Based on the scoping outcomes, member brands are required to identify and document which human rights risks are most significant in terms of severity and likelihood, with severity being most important. Member brands are required to carry out or update its scoping exercise on an annual basis. Member brands should carry out specific country, regional or product assessments when developing a new product, entering a new region or when the operational context changes significantly (e.g., due to conflict, crisis, change in laws, etc.). For example, when members work with foreign operations in the form of licensees or design collaborations, this can pose a business model risk, given that the extent of a company's control over these operations increases its exposure to integrity risks.

The risk scoping process should be systematically applied and integrated into the member company's sourcing strategy. It is expected that this is a collaborative process between different internal departments and that the results of this assessment influence sourcing decisions.

Specific attention should be given to Gender-Responsive Human Rights Due Diligence (GRHRDD). GRHRDD recognises that human rights violations are not gender neutral. Rather, gender should be understood as a cross-cutting dimension intrinsic to everything. A gender lens is applied to each step of the due diligence process to understand the specific ways in which laws, policies, cultural values, norms, and practices affect people differently because of their various and compounding identities. Fair Wear expects members to have a systematic gender-responsive human rights risk assessment in place – including country-specific risks and sector, business model, sourcing model and product-specific risks – which guides their sourcing strategy.

Advanced efforts demonstrate that the member company has put in place a systematic process to assess human rights risks on different levels, including different departments, leading to clear decision-making. Following Fair Wear's freedom of association policy, reviews will be based on whether members commit to a sourcing strategy that privileges countries where workers can freely form or join a trade union and/or bargain collectively. This will be a crucial part of the advanced scoring. Input from workers, suppliers, and other stakeholders should form part of the scoping exercise.

Documentation

HRDD policy; Sourcing strategy linked to results of scoping exercise; HRDD processes, including specific responsibilities of different departments; Use of country studies; Analysis of business and sourcing model risks; Use of licensees and/or design collaborations.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy; Fair Wear Risk Policies; Fair Wear Enhanced Due Diligence Policies and Guidance; Fair Heightened Due Diligence Polies and Guidance; Brand Guide - Freedom of Association and the Right to Collective Bargaining (Tool 1, p. 68-87); Mapping Social Dialogue in Garment Producing Countries – country reports; Gender-Responsive Due Diligence (GRDD) Platform (Women-win); Gender Responsive Human Rights Rights

Due Diligence Tool (PLAN Nederland); Country studies, including from other countries where Fair Wear is not active; The Danish Institute for Hu-man Rights' Country Guide; MVO Risicochecker.

2.4 Member company engages in dialogue with factory management about Fair Wear membership requirements before finalising the first purchase order.

МАХ		MIN
4	2	0
Advanced	Intermediate	Insufficient
Member company engages in dialogue with factory management about Fair Wear requirements before finalising the first purchase order.	Member company shares information about Fair Wear membership with factory management before finalising the first purchase order.	Member company does not share information about Fair Wear member- ship with factory manage- ment before finalising the first purchase order.

Relevance

Before a business relationship is established, Fair Wear expects member companies to share information about their commitments with potential suppliers.

The member should inform potential suppliers about their own commitment to human rights. This includes its human rights due diligence policy and all Fair Wear labour standards—with the inclusion of a gender lens cross-cutting throughout the eight labour standards—and with an emphasis on freedom of association and the right to collective bargaining. Such dialogues aim to increase transparency between the member and the potential supplier, which can benefit improvements efforts going forward.

This indicator looks at the standard process the member company has in place for pre-qualification of new production locations. It will review the members' procedures and documentation that will be used in case of selecting new factories/ business partners and how this is translated into sourcing decisions. Therefore, this indicator is still applicable even when no new factories are selected in the financial year of review.

Besides sharing a letter explaining what it entails for the member company to be part of Fair Wear, advanced efforts mean the brand engages in dialogue with a potential supplier with the aim to give a brief introduction on the commitment of the member to improve labour conditions, while the supplier's acceptance is a prerequisite to starting the business relation. This dialogue should set the base for a further risk assessment and setting up a production location action plan to cooperate on improving human rights.

Documentation

Process outline to select new factories; Material used in sourcing dialogue; Documents for sharing commitment towards social compliance; Meeting reports; On-site visits; Reviews of suppliers' policies.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

2.5 Member company collects the necessary human rights information to inform sourcing decisions before finalising the first purchase order.

МАХ			MIN	N/A
6	4	2	0	
Advanced	Intermediate	Basic	Insufficient	N/A
Member com- pany assesses factory spe- cific human rights situa- tion based on self-assess- ment, existing external third-party information, and worker/ stakeholder input before finalising the first purchase order and adjusts sourc- ing decisions based on these results.	Member com- pany assesses factory spe- cific human rights situa- tion based on self-assess- ment and ex- isting external third-party information before final- ising the first purchase order and adjusts sourcing deci- sions based on these results.	Member com- pany assesses factory-spe- cific human rights situa- tion based on self-assess- ment before finalising the first purchase order.	Member com- pany does not collect human rights informa- tion before finalising the first purchase order.	2 nd + year mem- ber and no new produc- tion locations selected.

Relevance

Human rights due diligence is necessary to identify and mitigate potential human rights risks in supply chains. Besides human rights risks at the country, sector, business model, and product levels (see 2.3), specific risks per factory need to be considered as part of the decision to start cooperation and/or place purchasing orders. While a deeper risk assessment is part of a continuous due diligence process, members are expected to gain a basic level of insight into the human rights situation at a potential factory and use this knowledge to inform sourcing decisions.

The previous indicator examines how members share values, expectations, and commitments with regard to social compliance. This indicator reviews how members collect the required information to inform sourcing decisions. This responsibility extends to production locations used by licensees and/or design collaborations.

Information can be collected using a supplier self-assessment.. Furthermore, potential red flags can be identified by reviewing existing third-party information (i.e., audits and external input from stakeholders, workers, and worker representatives). If these points of information do not deliver sufficient information members must determine if they need a full or modular onsite assessment.

Members are particularly encouraged to investigate whether an operational-level grievance mechanism exists. An operational-level grievance mechanism is a formalised means through which individuals or groups can raise concerns and then remedy the impact an enterprise has on them – including, but not exclusively, their human rights. Having such a mechanism in place is crucial to improving all labour standards and should therefore factor greatly in sourcing decisions.

Following that same logic, particular attention will be given to whether a member's sourcing strategy privileges suppliers where workers are free to form or join a trade union and/or to bargain collectively. This will be a crucial part of the advanced scoring. This indicator not only looks at the information collected but also at the standard process the brand has in place to assess the factory-specific situation as part of its sourcing strategy.

Documentation

Questionnaire with CoLP, reviewing and collecting existing external information, evidence of investigating operational-level grievance system, union and independent worker committee presence, collective bargaining agreements, engaging in conversations with other customers and other stakeholders, including workers.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy; Brand Guide - Freedom of Association and the Right to Collective Bargaining.

2.6 Member actively ensures awareness of the Fair Wear CoLP, the grievance mechanism, and social dialogue mechanisms within the first year of starting a business relationship.

MAX			MIN	N/A
6	4	2	0	
Advanced	Intermediate	Basic	Insufficient	N/A
Member company organises onboarding sessions for factory workers and management on Fair Wear's CoLP and the grievance mechanism. It actively raises awareness of management on social dia- logue within the first year of the business relationship.	Member company organises onboarding sessions for factory workers and management on Fair Wear's CoLP and the grievance mechanism within the first year of the business relationship.	Member company shares infor- mation about Fair Wear's CoLP and the grievance mechanism in the first year of the business relationship.	Member company's onboarding process does not include raising aware- ness about Fair Wear's CoLP or the grievance mechanism.	No production locations in the first year of business.

Relevance

Human rights due diligence processes are necessary to identify and mitigate potential human rights risks in supply chains. While other indicators in Layer 2 focus on identifying potential human rights risks, this indicator focuses on the preliminary mitigation of risks by actively raising awareness about the Fair

Wear Code of Labour Practices and grievance mechanism. Onboarding management and workers to Fair Wear's CoLP and grievance mechanism is a key step towards ensuring sustainable improvements in working conditions. Onboarding can be conducted via webinars, video platforms, or face-to-face meetings within the first year of a new business relationship. Should the factory have undergone multiple training sessions for other member brands, there may not need to be any repetition – this should be discussed and decided in collaboration with your brand liaison.

Onboarding should include a discussion with workers on how they would like to provide feedback and report grievances to the management regarding their working conditions. If an independent union is active in the factory, members should consult the union on their priorities and ongoing projects. For an advanced score, onboarding must include awareness raising of management on social dialogue.

Recognising that discrimination, violence and harassment happen disproportionately to marginalised groups – and that women generally make up the majority of the low paid low power positions – it is important to ensure that women workers and other workers from marginalised groups are included in these discussions. Their specific barriers, needs, and considerations should be heard and incorporated.

Documentation

Evidence of social dialogue awareness raised through earlier training/onboarding programmes, onboarding materials, information sessions on the factory grievance system and complaints helpline, use of Fair Wear factory guide, awareness-raising videos, and the CoLP.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

INDICATORS RELATED TO IDENTIFYING CONTINUOUS HUMAN RIGHTS RISKS:

2.7 Member company has a system to continuously assess human rights risks in its production locations.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company has a systematic and inclusive ap- proach to assess human rights risks.	Member company has a systematic approach to assess human rights risks.	Member company has an ad hoc ap- proach to assess human rights risks.	No system is in place to assess risks.

Relevance

This indicator evaluates the extent to which member companies continuously assess human rights risks at all their production locations. Identifying human rights risks at production location level is a key point of human rights due diligence. The choice for a certain risk assessment should be based on the outcome of the brand's risk scoping. Fair Wear expects member companies to carry out full onsite assessments for production sites that are prioritised as higher risk. Fair Wear member brands may carry out modular onsite assessments if a production site is a higher risk for only one or two human rights issues. Next to full and modular onsite assessments, member companies may also use reports from factory visits, outcomes of worker consultations, and local stakeholder input, if these are appropriate to the identified risks.

Members are expected to regularly evaluate risk at production locations in a systematic manner. Outcomes of the assessment and action plans should be shared with production locations and preventive, mitigative and remediation efforts are fed back into the human rights due diligence process. Basic efforts mean that a member company assesses factory-specific human rights risks depending on the information available, for example, when risks are flagged by Fair Wear or others. Intermediate efforts mean a member company has a systematic risk assessment process in place. The company has pre-designed format(s) or structured tool(s) to assess factory-specific human rights risks and uses the outcomes of its prevention, mitigation and remediation actions and supplier performance on the Code of Labour Practices and overall due diligence process as input. Advanced efforts complement the systematic risk assessment process with supplier, worker, and stakeholder input.

Documentation

Use of risk policies, country studies, audit reports, other sources used, how often information is updated.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy; Fair Wear Risk Policies; Fair Wear Enhanced Due Diligence Policies and Guidance; Fair Wear Heightened Due Diligence Polies and Guidance. 2.8 Member company's human rights due diligence process includes an assessment of freedom of association (FoA).

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company has an advanced understanding of FoA in all sourcing countries, uses country information on the status of FoA at the supplier level through monitoring tools, and maintains communications with factory man- agement, worker representatives and/or local unions (where appropri- ate), and other local stakeholders.	Member company has an enhanced understanding of FoA in all sourcing countries and uses specific country information to determine influence and impact at the supplier level.	Member company has a basic under- standing of FoA in all sourcing countries.	No system is in place to identify risks.

Relevance

Workers are best placed to advocate for their own rights. To do so, they need the freedom to organise themselves, express their voices, and defend their interests. Freedom of association and collective bargaining are 'enabling rights.' When these rights are respected, they pave the way for garment workers and their employers to address and implement the other standards in Fair Wear's Code of Labour Practices – often without brand intervention.

Indicators 2.3 and 2.5 review how freedom of association and collective bargaining are considered in sourcing decisions. This indicator assesses how members seek to gain a deeper understanding of the level of FoA and how members evaluate the situation at existing suppliers to determine appropriate follow-up strategies. This includes checking to see if social dialogue mechanisms are in place and how they function.

Advanced efforts mean that the member has an overview of the status of these rights from each sourcing country, maps where improvements are possible, and tracks where significant obstacles to these rights exist. Intermediate efforts mean the member has carried out a risk mapping that connects country risks to the situation at the supplier level. In all cases, a basic understanding of FoA must include an awareness of the status of these rights for women workers.

Documentation

Use of supplier questionnaire to inform decision-making, collected country information, and analyses.

Relevant guidance, policy, tools and resources

Fair Wear Freedom of Association Policy; Brand Guide - Freedom of Association and the Right to Collective Bargaining (tool 1) 2.9 Member company includes a gender analysis throughout its human rights risk identification, to foster a better understanding of gendered implications.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company actively analyses gender-disaggre- gated data at the factory and coun- try levels to better understand the gendered implica- tions at its produc- tion locations	Member company actively collects gender data (in- cluding second- ary sources) per factory.	Member company has a basic under- standing of gender on the country lev- el (not per factory) for all its produc- tion countries.	Member's risk as- sessment does not include a gender analysis.

Relevance

Member companies should have a systematic gender-responsive human rights risk assessment. This means applying a gender lens to the risk assessment.

Under this indicator, the member company collects gender-disaggregated data at multiple levels, from the country /regional level, the factory level and from its own processes and operations and then analyses this data to gain a deeper understanding of how the member's activities cause or contribute to these risks.

For a basic understanding, the member company should collect country or regional gender-disaggregated data in all its production countries for each Code of Labour Practice and have a general overview of gender in the country or region. Gathering data helps identify gender inequalities and explore their causes and implications. Member companies should have a system (e.g., the Fair Wear Member Hub) to record this data per country or region.

After collecting gender data at the country/region level, member companies should work on collecting gender data at the factory level per Code of Labour

Practice. To actively collect gender data (including secondary sources) per factory, the member company should prioritise factories that are identified as high risk in the country/regional level data and from the Know Your Supplier questionnaire.

When the member has collected both country/regional data and factory-level data, it should conduct a gender analysis. Fair Wear advises reviewing the country-level and factory-level gender data, assessing the risks by severity and likelihood. For high risks, member companies are advised to analyse their operations, processes, products and services to see if there is a direct or indirect impact. This involves speaking to relevant stakeholders, including worker representatives, brand staff, factory management etc. For the previous steps, it was necessary to collect data throughout the entirety of the Code of Labour Practices; however, at this level, Fair Wear expects member companies to analyse the risks that ranked high in severity and likelihood.

Documentation

Evidence of use of the gender mapping tools and knowledge of country or region -specific gender data on each Code of Labour Practice.

Evidence of use of the gender mapping tools and knowledge of factory-specific gender data on each Code of Labour Practice.

Evidence of a gender analysis (likelihood and severity of the risks found), and an analysis of indirect and/or direct impact of company's practices of the prioritised harms, including evidence that member company collected data from sources in your own company, workers representatives, research, factory management etc.

Relevant guidance, policy, tools and resources

Gender - responsive human rights due diligence guidelines; OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (Module gender). 2.10 Member company considers a production location's human rights performance in its purchasing decisions.

МАХ		MIN
4	2	0
Advanced	Intermediate	Insufficient
Member systematically considers a production location's human rights performance in purchas- ing decisions.	Member occasionally includes a production location's human rights performance in purchas- ing decisions.	Member does not include a production location's hu- man rights performance in purchasing decisions.

Relevance

Systematic evaluation is part of continuous human rights monitoring (see indicator 2.7). This indicator focuses on how production location performance is translated into purchasing decisions. For example, when the outcome of the evaluation is used to decide where to place orders, to increase quantities where possible or ensure a long-term commitment.

Furthermore, a systematic approach to evaluating production location performance is necessary to integrate social compliance into normal business processes and to support good decision-making. In this case, 'systematic' means that supplier evaluation is managed consistently across all production locations. Like how production locations are evaluated on quality, delivery time, etc., Fair Wear members' evaluations must include human rights performance.

Sharing supplier evaluations with the factory management and worker representatives improves transparency and contributes to an advanced approach. The assessment of whether the evaluation informs purchasing decisions will be reviewed within the limits of what is possible (e.g., a member company with a small supplier base and long-term business relationships will be more easily placed in advanced). When the member company works with design collaborations and/or grants operations through licensees, performance of human rights due diligence through the licensee must also be included in the evaluation.

Documentation

Supplier evaluation format, meeting notes on supplier evaluation shared with the factory, processes outlining purchasing decisions, link to responsible exit strategy.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence policy; Member hub FAQ. 2.11 Member company prevents and responds to unauthorised or unknown production and/or subcontracting.

МАХ		MIN
4	2	0
Advanced	Intermediate	Insufficient
Member uses outcomes of its human rights moni- toring to respond to and prevent unauthorised sub- contracting or unknown production.	Member uses outcomes of its human rights monitor- ing to respond to unautho- rised subcontracting or unknown production.	Member does not prevent or respond to unautho- rised subcontracting or unknown production.

Relevance

Subcontracting can decrease transparency in the supply chain and has been demonstrated to increase the risk of human rights violations. Therefore, when operating in higher-risk contexts where it is likely subcontracting occurs, the member company should increase due diligence measures to mitigate these risks. As a component of due diligence, member companies should establish clear expectations for their direct suppliers operating in higher-risk contexts regarding the authorisation of subcontracting (or not) and corresponding expectations. Members can permit or forbid subcontracting.

Indicator 1.5 evaluates whether a member company has a policy regarding (unauthorised) subcontracting. However, having a policy is not sufficient without acting upon it. For that reason, this indicator evaluates how a member company applies the results of their continuous human rights risk monitoring to prevent and respond to unauthorised subcontracting or unknown production locations.

First, members must be able to identify the general set of factors – like factory characteristics or purchasing practices – that lead factories to subcontract. Fair Wear expects member companies to respond to instances of unauthorised subcontracting or the use of unknown production locations. Fair Wear will examine how a member company is working with a supplier to disclose the involved production facilities and will look closely at the member's procedure for receiving goods of poorer quality than normal or when the export bill lists a different location.

In general, member companies are encouraged to establish ongoing relationships with subcontractors and become actively involved in the establishment and monitoring of corrective action, as relevant. Advanced efforts mean a member company does not just respond to unauthorised subcontracting or unknown production locations but actively applies the results of their continuous human rights risk monitoring to take preventive measures. Examples of prevention include: adjusting the policy and taking preventive measures at suppliers in higher-risk contexts and/or establishing a system where at the time of order placement, production locations are confirmed by quality control staff present at the production site.

In the case of licensee agreements or design collaborations, the member company, as licensor, explicitly addresses unauthorised subcontracting in its policies.

Documentation

Production location data provided to Fair Wear, financial records from the previous financial year, evidence of member systems and efforts to identify all production locations (e.g., interviews with factory managers, factory audit data, web shop and catalogue products, etc.), licensee contracts and agreements with design collaborators.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment ; Fair Wear Human Rights Due Diligence Policy.

2.12 Member company extends its due diligence approach to homeworkers.

MAX		MIN
4	2	0
Advanced	Intermediate	Insufficient
Member company has determined whether a supplier has measures in place to source respon- sibly from homeworkers and/or facilitates the supplier to do so. OR Member company has identified that there are no home workers involved in their production lines and processes.	Member company has identified suppliers where homeworkers are at risk and has started to collect the necessary information.	Member company has not included home- workers in its due diligence approach.

Relevance

Homeworkers are found in many different supply chains in the garment industry. While some are employed in traditional handicraft work – like embroidery or weaving, others are involved in more labour-intensive processes like machining garments. Member companies are encouraged to identify product lines and production processes which may include the involvement of homeworkers.

Homeworkers should be viewed as an intrinsic part of the workforce, entitled to receive equal treatment and have equal access to the same labour rights, and therefore should be formalised to achieve good employment terms and conditions.

In their human rights due diligence policy, member companies must set expectations for outsourcing to homeworkers and the use of handwork. Fair Wear expects members to identify sourcing countries and product categories where homework is more prevalent, and where homeworkers are at higher risk of being exploited. When a supplier uses homeworkers, member companies should determine whether the supplier has measures in place to source responsible from homeworkers. Members must implement themselves, or have suppliers capacitated to do:

- > Establish a prequalification system for intermediaries/agents involved in contracting work to homeworkers. Intermediaries should comply with national law.
- Establish internal protocols for outsourcing work to homeworkers (e.g., verifying the prequalification of agents who handle contracts).
- Move towards contractual relationships with intermediaries that directly contract homeworkers and establish transparency requirements.
- Identify and partner with local initiatives promoting the formalisation of homeworkers' work status and protections against exploitation where appropriate.

Documentation

Supplier policies, evidence of supplier and/or intermediaries' terms of employment, wage-slips from homeworkers.

Relevant guidance, policy, tools and resources

Fair Wear's Guidelines on Home-Based Work; OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (p.184); ETI resources on homeworkers; Homeworkers Worldwide.

INDICATORS RELATED TO RESPONSIBLE PURCHASING PRACTICES:

2.13 Member company's written contracts with suppliers support the implementation of Fair Wear's Code of Labour Practices and human rights due diligence, emphasising fair payment terms.



Relevance

Written, binding agreements between brands and suppliers are crucial to ensuring fairness in implementing decent work across the supply chain. Members are expected to have a Responsible Business Conduct (RBC) policy that must be communicated to suppliers and ingrained in contracts, agreements, purchasing terms and conditions, and/or supplier manuals. The importance that Fair Wear members place on responsible business practices should be reflected in their supplier contracts, drafted so as not to work against or harm social compliance efforts. Contractual agreements commonly place huge financial risk and liability on the supplier. This has become painfully clear during the COVID-19 pandemic.

The term 'commercial compliance,' first introduced by the <u>STAR Network</u>, defines purchasing practices that do not constitute a misuse of buying power to the detriment of the manufacturer. First and foremost, contractual agreements should provide stability and demonstrate commitment to long-term orders and fostering business relationships that provide the financial stability and the predictability needed for workplace dialogue and freedom of association to thrive. Before any purchasing order is placed, payment terms and forecasts should be agreed upon with suppliers.

Contractual agreements should show that member companies minimise fines, penalties, cost price reductions, or airfreight at a supplier's expense. Penalties for late delivery are based on an analysis of root causes. Penalties to the supplier must be mutually agreed upon, reasonable, clearly stated in the agreed terms, and require sup- porting evidence for any claims of supplier fault.

Fair Wear expects contractual agreements to mention that force majeure can only be invoked on mutually agreed upon and legally valid grounds. Furthermore, it must respect the transfer of ownership and risks defined elsewhere in the contract. If there is a force majeure event, then costs already incurred by the manufacturer must be paid by the buyer. The payment of due wages and severance must be ensured.

Regardless of circumstances, there should be no late payments, if payments are deferred, the supplier and the buyer will negotiate a fee that covers the supplier 's interest for the period and loss of opportunity or profit stemming from the late payment.

When members use licensees or design collaborations, terms and agreements must support the implementation of human rights due diligence and the Code of Labour Practices.

Intermediate efforts mean a member company's contracts integrate expectations of suppliers in line with the RBC policy and outline a clear commitment to transparency.

Advanced efforts mean contracts clearly specify fair payment terms. For example, ringfencing labour costs to prevent negotiations that negatively affect wag-

es and/or not requiring prices to remain stable over longer periods (rather than linking inflation to the Consumer Price Index). Advanced payment systems can frontload payments for materials needed for orders.

Documentation

Suppliers' codes of conduct, contracts, agreements, purchasing terms and conditions, or supplier manuals.

Relevant guidance, policy, tools and resources

Brand Guide - Freedom of Association and the Right to Collective Bargaining; Better Buying Special Report: Payment and Terms and the Need for New Practices (June 2020); Guide to Buying Responsibly (ETI); Common Framework of Responsible Business Practices; Supplier Model Contract Clauses; Fair Wear's Sourcing Dialogue Guidance (upcoming). 2.14 Member company has formally integrated responsible business practices and possible impacts on human rights violations in its decision-making processes.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Corporate Social Responsibility (CSR) and other relevant departments actively share information leading to respon- sible business practices and active sourcing dialogues with suppliers. Responsible busi- ness practices are included in job role competencies and KPIs of sourcing and/or purchasing staff.	CSR and other rel- evant departments actively share infor- mation leading to coherent responsible business practices.	CSR actively informs other relevant de- partments necessary for responsible busi- ness practices.	Relevant informa- tion remains in the CSR department and is not actively shared within the organisation.

Relevance

Corporate Social Responsibility (CSR), purchasing, and other staff that interact with suppliers must be able to share information to establish a coherent and effective strategy for improvements. Indicator 1.1 reviews whether a policy exists, while this indicator examines how this policy and Fair Wear membership requirements are embedded within the member company. Specifically, it focuses on how sourcing and/or production staff own and manage responsible purchasing practices with the support of the social responsibility teams.

Advanced efforts mean members have strong KPIs that support good sourcing and pricing strategies within their sourcing, purchasing, and design departments rather than KPIs that do not support the implementation of the Code of Labour Practices.

Documentation

Internal information systems, status Corrective Action Plans, sourcing scorecards, KPIs listed for different departments that support CSR efforts, reports from meetings from purchasing and/or CSR staff, and a systematic manner of storing information.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Member Hub FAQ.

2.15 Member company's purchasing practices support reasonable working hours.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
supplier to effective-	Member company collaborates with the supplier to effective- ly plan and monitor the production process.	Member company effectively plans and monitors the pro- duction process.	Inadequate systems in place.

Relevance

Members' purchasing practices can significantly impact the levels of excessive overtime at factories. Poor production planning can lead to pressure on factories to deliver according to unreasonable timelines. Therefore, production planning should be a shared process between member companies and production locations. The result of which should enable proper scheduling based on realistic assessments of production capacity.

In essence, this indicator assesses a member's efforts to prevent practices at the member level that are likely to lead to excessive overtime. It should be noted that unpredictable working hours and/or excessive overtime has a detrimental effect on other labour standards (i.e., increasing the risk of violence and harassment with a significantly adverse impact on women workers). Excessive overtime increases the risk of unknown subcontracting and the use of temporary labour contracts. Furthermore, unpredictable working hours and/or excessive overtime is also a significant barrier for workers to be able to exercise their right to freedom of association. Simply put, when working excessive overtime, workers do not have the time to join or form unions or participate in workplace dialogues.

Production systems should be designed to prevent late design or quantity changes and help limit the effects of peaks in demand. All departments with an influence over production calendars (e.g., design, sales, brand management, etc.) should be involved in the design and management of planning. Good production planning, which enables proper scheduling based on realistic assessments of production capacity, requires insights into available capacity – both overall and for the member company as a specific customer. Members should have a system to adequately track schedules and delays and share that information with suppliers.

Suppliers should receive timely feedback on samples, including rejections or approvals and further process steps. Technical specifications ('tech packs') should be clear, complete, accurate and include all relevant information about a product needed for sampling and bulk production. These tech packs are mutually agreed upon between buyer and supplier.

Basic efforts mean the member company knows a supplier's production capacity and shares with the supplier forecasts or production planning, that have been developed by different departments. Intermediate efforts mean the member company actively involves the suppliers in the forecasting and planning process. Advanced efforts mean various departments together create forecasting and production planning and that the supplier and production results are used to adjust future planning. Also, the member company takes responsibility for unused (forecasted) capacity and delays caused by the member brand. An advanced score means companies can evidence that forecasting accuracy is increasing each year – namely, the percentage deviation between average forecast and order is decreasing through time. Leading approaches regularly evaluate forecasts versus actual orders to identify any significant differences and then work with affected factories to avert negative impacts.

Documentation

Proof that planning systems have been shared with production locations,

examples of production capacity knowledge that is integrated into planning, timely approval of samples, and proof that management oversight is in place to prevent late production changes. Reviewing the number of times when orders came in lower than projected, supplying evidence of communications in case of changes in forecasts, and monitoring the conversion rate of requested samples to orders with a view to improve sample to order ratio.

Relevant guidance, policy, tools and resources

Fair Working Hours Guide; Fair Wear Member Hub FAQ.

2.16 Member company can demonstrate the link between its buying prices and wage levels at production locations.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company can demonstrate a clear understanding of the labour cost component of its buying prices. La- bour costs are fixed (not negotiable).	Member company can demonstrate some form of open costing and applies a plausibility check to its buying prices against wage levels.	Member company can demonstrate some form of open costing with a labour cost component.	Member company only knows buying prices, meaning there is no under- standing of wage part and/or labour costs of the product.

Relevance

The first step towards the implementation of living wages is to know the labour costs of garments. This indicator measures a member company's knowledge and awareness of the link between buying prices and wages. It also assesses members' costing process and pricing policy and systems and their mechanisms to work around the lack of transparency they experience when negotiating with suppliers.

It also looks into the member company's understanding of the labour component of its buying prices. Finally, it examines whether their pricing policies allow for payment of at least the legal minimum wages in production locations. Knowing the labour cost component of the price a brand pays is the first step towards ensuring the payment of minimum wages and, ideally, the implementation of living wages. A mature pricing system allows the member to know labour costs at a style level. Knowing real costs — commonly a calculation of cost per minute X minutes per piece — lets member companies ensure that they pay productions locations enough to cover minimum wage payments. This information also forms the basis for discussion on the movement towards living wages. No knowledge of the labour cost component of prices paid, i.e., 'lump sum' costing of styles, makes the meaningful assessment of minimum wage payments impossible.

Insufficient efforts mean that the member company only knows buying prices and has little or no understanding of the labour costs of their products. Prices are based on a crude bargaining model or set by agents/intermediaries without taking any wage level information into account and/or without brands influencing or understanding the breakdown of prices. Fair Wear expects its members to get insight into the different cost components of their prices, specifically the labour costs. Intermediate efforts account for the fact that the member does not have complete insight into the actual labour costs of its products but uses available information, such as Fair Wear wage ladders, country or region-specific labour minute values, standard allowed minutes information, etc., to do a plausibility check. This allows buyers to verify whether the agreed price is sufficient to pay the legal minimum wage even when a supplier is not transparent in sharing the breakdown of their costs. Advanced efforts mean the member knows the labour minute costs of its products and the minutes necessary to produce its garments, allowing it to demonstrate the price's labour cost component. Demanding fixed (non-negotiable) labour costs in the buying conditions is also considered an advanced effort.

Documentation

Interviews with production staff, documents related to member's pricing policy and system, buying contracts, cost sheets including labour minutes.

Relevant guidance, policy, tools and resources

Fair Wear Living Wage Policy; Fair Wear's Living Wage Approach.

2.17 All sourcing intermediaries play an active role in upholding HRDD and Fair Wear's Code of Labour Practices and ensure transparency about where production takes place.



Relevance

Many brands work with a range of intermediaries operating on their behalf to source products, such as production location related contractors, external

agents, or other sourcing contractors working on behalf of the member brand. These intermediaries should have the same knowledge and commitment to supporting human rights due diligence and Fair Wear's Code of Labour Practices as individuals directly employed by the brand. Intermediaries have the potential to support or disrupt implementation of the member company's HRDD policy. It is the members' responsibility to ensure sourcing intermediaries actively support HRDD. Members are encouraged to move away from intermediaries who are not improving. For example, advanced members would review the intermediary's payment terms, checking they are fair and that intermediaries have effective systems to ensure payments are made on time. The member company makes regular checks to ensure this is happening consistently.

Documentation

Correspondence with intermediaries, trainings for intermediaries, communication on Fair Wear audit findings, etc.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. Fair Wear Human Rights Due Diligence Policy; Fair Wear Member Hub FAQ.

Layer 3 – Prevention, mitigation and remediation

INDICATORS ON THE QUALITY AND COHERENCE OF A MEMBERS' PREVEN-TION AND REMEDIATION SYSTEM

3.1 Member company integrates outcomes of human rights risk identification (layer 2) into risk prioritisation and creates subsequent action plans.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company's has action plans for 67-100% of FOB.	Member company's has action plans for 34-66% of FOB.	Member company's has action plans for 0-33% of FOB.	Member company has not drafted action plans.

Relevance

Based on the broad risk scoping and production location risk assessment outcomes, a factory risk profile can be determined with accompanying action plans.

This indicator evaluates how a member prioritises and determines its action plan per factory. The implementation will be assessed in indicators below.type of follow up programme is required per factory.

Documentation

Overview of supplier base, risk scoping, production location risk assessments.

Relevant guidance, policy, templates, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy;

Fair Wear Risk Policies; Fair Wear Enhanced Due Diligence Policies and Guidance; Fair Wear Heightened Due Diligence Polies and Guidance.

3.2 Member company's action plans include a gender lens.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company includes a comprehensive gender lens in all action plans.	Member company includes a comprehensive gender lens in action plans.	Member company partly includes a gender lens in the action plans.	Member company has no gender lens in action plans.

Relevance

All brands should include a gender analysis during the human rights risk identification (indicator 2.9). A gender lens should be incorporated in its action plans regardless of whether the issue is specifically about gender. There needs to be some reflection on how the actions in the action plans may have a differential impact and what brands are doing to mitigate negative impacts.

Members should ask:

- Could this impact women and men differently (because their needs are different)?
- Could this reinforce, perpetuate or exploit harmful gender stereotypes?
- Could this promote gender inequality because it does not recognise the structural, historical and social disadvantages that prevent women and men from operating on a level playing field?

The action plans should prevent harm at a minimum but, at best, ensure equitable outcomes (as opposed to equal opportunity).

Documentation

Proof of incorporation of the gender lens in action plans, including stakeholder input.

Relevant guidance, policy, tools and resources

Fair Wear Gender Policy.

3.3 Member company's action plans include steps to encourage freedom of association and effective social dialogue.

МАХ			MIN	
6	4	2	0	
Advanced	Intermediate	Basic	Insufficient	
Member company included compre- hensive steps to encourage freedom of association and effective social dia- logue in all action plans and has imple- mented these steps.	Member company included compre- hensive steps to encourage freedom of association and effective social dialogue in its action plans and has started to implement these steps.	Member company partly included steps to encourage free- dom of association and effective social dialogue in its action plans.	Member company has not included steps to encourage freedom of asso- ciation and effective social dialogue in its action plans.	

Relevance

This indicator looks at whether action plans encourage freedom of association and effective social dialogue. Freedom of Association and Collective Bargaining are enabling rights. Prioritising these enabling rights by member brands in their action plans can help support improvements for other sector risks. While all actions need to help create an environment where there is effective social dialogue and workers' voices are heard, there should also be an action plan with a specific focus on social dialogue that can be implemented individually.

Documentation

Available action plans, including stakeholder input.

Relevant guidance, policy, tools and resources

Fair Wear Freedom of Association Policy; Brand Guide - Freedom of Association and the Right to Collective Bargaining. **3.4 Member company actively supports factory-level grievance mecha-**nism.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company supports and mon- itors the effective- ness of factory-level grievance mecha- nisms and responds when the mecha- nism is not effective.	Member company supports and monitors the effectiveness of factory- level grievance mechanisms.	Member company actively supports factory-level griev- ance mechanisms.	Member company does not actively support and monitor the effectiveness of factory-level griev- ance mechanisms.

Relevance

Members are expected to actively support and monitor the effectiveness of factory level grievance mechanisms as part of regular contact with their suppliers.

A factory-level grievance mechanism is a formalised means through which individuals or groups can raise concerns about the impact an enterprise has on them – including, but not exclusively, on their human rights – and seek remedy. Factory-level grievance mechanisms take many forms, including in-house worker complaint mechanisms, industrial relations, and third-party complaint systems, amongst others. In all cases, the core criteria - legitimacy, accessibility, predictability, equitability, transparency, and being dialogue-based, viewing to seek agreed solutions - should always be met. Any internal grievance mechanisms should be established with input and involvement from workers or worker representatives. Members do not necessarily need to be directly involved in handling grievances if the grievance systems meet the criteria above unless the grievance is related to the brand's practices. Members do need to be aware of the workings and outcomes of the systems, as these formalised structures can function as a sparring partner for members, despite language barriers. When a member wishes to involve worker represen- tatives in other efforts to improve working conditions, they can reach out to said structures to identify risks and solutions and validate and verify progress. Embedding this imperative within grievance mechanisms will make efforts elsewhere more impactful and sustainable.

When effective factory level grievance mechanisms are not present, functional, trusted or safe for workers or their representatives to use, the member brand is required to establish a process that is legitimate, accessible, predictable, equitable, transparent, and dialogue-based to enable remediation of human rights impacts in its supply chain. Members should take particular notice to monitor whether the factory has the capacity to have a worker-led grievance mechanism and ensure that the factory-level grievance mechanism is best suited to address cases related to gender-based violence, harassment, and discrimination and if not, take action to make sure a suitable mechanism is available.

Intermediate efforts mean a member company supports factory-level grievance mechanisms, either through training or through actively incorporating its results into improvement and prevention plans, and monitors its effectiveness, for example, by collecting information on how the grievance mechanism operates and the cases brought forward. Advanced efforts mean member companies also respond when the mechanism is not effective.

Documentation

Communication with suppliers, responses to grievances, minutes of internal worker committees, evidence of democratically elected worker representation, evidence of handled grievance, review of factory policies, and proof of effective social dialogue.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy.

3.5 Member company collaborates with other Fair Wear members or customers of the production location.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company collaborates with other Fair Wear members and other customers of the production loca- tion to prevent and respond to human rights violations.	Member company collaborates with other Fair Wear members and other customers of the production loca- tion to respond to findings.	Member company collaborates with other Fair Wear members to respond to findings.	Member company does not collaborate with other members or customers of the production location.

Relevance

Most factories produce garments for multiple clothing companies. Cooperation between Fair Wear members increases leverage and the chances of successful outcomes. Cooperation also reduces the chances of a factory needing to conduct multiple improvement programmes about the same issue with multiple customers. Fair Wear members sourcing from the same factory are required to cooperate. Cooperation with other customers in the factory is encouraged. Advanced efforts mean the member company does not just cooperate in the remediation of human rights violations but also their prevention.

Documentation

Communication between different companies.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy; Fair Wear Member Hub FAQ.

INDICATORS ON IMPLEMENTATION: IMPROVEMENT AND PREVENTION

3.6 Degree of verified actions

МАХ			MIN
6	4	2	-2
>67% of findings Verified actions within the set time- frame.	33%-66% of verified actions within the set timeframe.	<33% of verified actions within the set timeframe.	No progress/ no Verified actions.
ΜΔΧ			MIN

MAX			MIN
6	4	2	-2
Advanced progress	Intermediate progress	Basic progress	Insufficient progress
Average score >5	Average score <5 and >3	Average score <3 and >1	Average score <1

Relevance

Member companies must execute a broad risk scoping and production location risk assessments. Based on these analyses, a brand will learn what (potential) harms play at factory level. These feed into action plans which collect actions that member companies take to prevent and mitigate (potential) harms and the agreed timeframe.

Fair Wear expects members to show progress towards implemented actions and be able to demonstrate that they have verified that those actions have been implemented.

Fair Wear's HRDD facilitation on the Member Hub suggests actions for all findings in (Fair Wear) assessments. This feature will also be developed for external audit reports. In this indicator Fair Wear assesses the degree of
progress based on the percentage of implemented and verified actions, out of the total of all suggested actions. Fair Wear will facilitate the process of tracking progress, including integra- ting non-Fair Wear risk assessments. Members are expected to be actively involved in (a dialogue on) prevention and mitigation and actively encourage the involvement of worker representation.

Documentation

HRDD facilitation on Fair Wear Member Hub, update on verified actions.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

3.7 Degree of validated, solved potential harms.²

МАХ			MIN
6	4	2	-2
>67% of validated issues solved within the set timeframe.	33%-66% of validated issues solved within the set timeframe.	<33% of validated issues solved within the set timeframe.	done all suggested actions, but has not led to issues being solved.

Relevance

Validated solved potential harms are potential harms that have effectively been prevented, mitigated or remediated. While indicator 3.6 assesses the actions member companies have taken that intend to prevent, mitigate or remediate a harm from occurring, indicator 3.7 assesses if these actions have led to potential harms being prevented, mitigated or remediated and therefore measures actual progress at suppliers. Reality is complex, and even though a member company may have implemented all suggested actions, certain potential harms may still persist. Therefore, we have added a 0-score; for when members have implemented all suggested actions, yet the issue persists. In that case a root cause analysis, in collaboration with the supplier is needed. The percentage is the validated potential harms out of all potential harms identified in Fair Wear and other assessments. The Fair Wear Member Hub is used for the calculation.

2 For performance checks assessing financial years starting 2023, <u>please refer to the insert.</u>

Fair Wear Member Hub, update on validated issues.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

3.8 Member company validates risk profile and maintains regular dialogue with factories where no action plan is needed.

МАХ			MIN	N/A
6	4	2	0	
Advanced	Intermediate	Basic	Insufficient	N/A
Member com- pany is in reg- ular contact with factory management and worker representa- tives/local unions (where appropriate) to discuss possible human rights risks and takes appropriate action when risk profile changes.	Member com- pany is in reg- ular contact with factory management to discuss pos- sible human rights risks.	Member com- pany irregu- larly checks with factory management about possible human rights risks.	Member com- pany does not check or ad- dress possible human rights risks.	No factories in the respective risk profile.

Relevance

Based on the risk profiling of specific production locations, a member may not need to implement a prevention or improvement programme, for instance, when the factory has demonstrated effective social dialogue and freedom of association. However, Fair Wear does expect its member companies to continue to mitigate risks and prevent human rights abuses. Members should actively gather data and maintain regular dialogue to stay informed about risks and ensure access to remedy is provided to all workers. When the risk assessment of a production location changes, members must create an action plan.

Evidence of data collected, worker interviews, monitoring documentation tracking status quo.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

3.9 Degree to which member company mitigates root causes of excessive overtime.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member took specific actions that eliminated root causes of excessive overtime and demonstrably led to reducing excessive overtime.	Member analysed root causes of production delays that could lead to excessive overtime. Member has ad- dressed some of the causes and actively promoted trans- parency regarding working hours.	Member analyses causes of delays/ bottlenecks that led to excessive overtime.	Member does not analyse/address root causes of excessive overtime.

Relevance

While good production planning can eliminate many reasons for excessive overtime, production problems and delays are sometimes unavoidable. No production planning system is perfect, and external factors (e.g., late delivery of fabric, late change requests from retailers, etc.) can still lead to excessive overtime. This indicator assesses how member companies respond to the occurrence of excessive overtime, using strategies that help reduce (the risk of) excessive overtime.

Member companies should identify excessive overtime caused by the internal processes and take preventive measures. Members should assess ways to reduce the risk of external delays. To reduce the risk of excessive overtime that may needed to complete orders in case of production delays, member companies should apply strategies that avoid putting pressure on the factory, including accepting late shipments, split deliveries, or using air freight or alterna-

tive materials, etc. Advanced efforts mean that member companies have taken specific steps to prevent excessive overtime from reoccurring based on the root-cause analysis.

Documentation

This indicator rewards self-identification of efforts to prevent excessive overtime. Therefore, member companies may present a wide range of evidence of production delays and how the risk of excessive overtime was addressed, such as: reports, correspondence with factories, collaboration with other customers of the factory, use of Fair Wear tools, etc.

Relevant guidance, policy, tools and resources

Fair Wear Overtime Policy (update forthcoming); Fair Working Hours Guide; Fair Wear Member Hub FAQ. 3.10 Member company adequately responds if production locations fail to pay legal wage requirements and/or fail to provide wage data to verify that legal wage requirements are paid.

МАХ		MIN
4	2	-2
Advanced	Intermediate	Insufficient
Member company demonstrates verified (remediation) evidence of all workers receiving legally required wage components.	Member company demonstrates adequate (remediation) efforts of all workers receiving legally required wage components.	No response.

Relevance:

Fair Wear members are expected to actively verify that all workers receive legal minimum wage, including legally required wage components, such as payment of overtime hours or social security. If a supplier does not meet the legal wage requirements or is unable to show they do, Fair Wear member companies are expected to hold the management at the production location accountable for respecting local labour law. Legal wage requirement violations must be urgently remediated. When a factory fails to meet the legal requirements, Fair Wear members are responsible for investigating the root causes and mitigating them where necessary. If wage records are not shared or are incomplete or falsified, Fair Wear's local team cannot verify minimum wage payments. In these cases, members are expected to respond as though legal wage requirements had not been paid. In case of lay-offs, members ensure that workers are paid their legally mandated or regular wages and benefits, including wage arrears (back pay) and, where applicable, negotiated severance pay.

Complaint reports, CAPs, additional emails, Fair Wear Audit Reports or additional factory visits by a Fair Wear auditor, or other documents that show the legal wage issue is reported/resolved.

Relevant guidance, policy, tools and resources

Fair Wear Living Wage Policy; Fair Wear's Living Wage Approach; Fair Wear's Living Wage Toolkit.

3.11 Degree to which member company assesses and responds to root causes of wages lower than living wages in production locations.

MAX			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Based on the root cause analysis, the member company has taken specific steps to increase wages towards a living wage, result- ing in a systemic and time-bound approach.	Member company discusses the topic of wages with the factories. Wages below living wage estimates caused by internal processes of member companies should be identified and prevented in the future. The member company should also assess other factors affecting wages.	Member company discusses wages with the factories and has an overview of wages paid in pro- duction locations.	Inadequate/ no action taken.

Relevance

This indicator assesses how member companies respond to findings related to payment below living wage, using strategies that help to increase wages. With this indicator, Fair Wear evaluates the learning process. Based on the root cause analysis, the member company has taken specific steps to increase wages, resulting in a systemic approach. The member company should discuss wages with the factories. Sustained progress towards living wages requires adjustments to member companies' policies. Member companies need to be able to compare actual wages to living wage estimates and begin working with production locations — and unions wherever possible — to move towards living wages. In some cases, the supplier does not share wage data during a Fair Wear audit, or the Fair Wear audit concludes discrepancies within wage data or double bookkeeping.

However, it is the member's responsibility to demonstrate wage levels when there is no Fair Wear data. Insufficient efforts mean that although the minimum wage is paid or wage information could not be verified, the member company does not engage in follow-up or discussion beyond minimum wage. Intermediate efforts mean that member companies discuss wages with the factories, for example, using the Fair Wear wage ladder. Wages below living wage estimates caused by internal processes of member companies should be identified and, in the future, prevented. Members should also assess other factors affecting wages. In addition, enhanced efforts to ensure wage information is correct and verifiable are also accounted for here.

Advanced efforts mean that, based on the root cause analysis, member companies have taken specific steps to increase wages, resulting in a systemic and time-bound approach. Member companies have done an analysis per factory, have had discussions with suppliers across the bulk of the supply chain, and have actively engaged local stakeholders and worker representatives. There is an action plan that includes production locations and internal systems and applies to the entire supply chain (link to several other indicators). Fair Wear members are encouraged to help improve the general wage system in the production facilities. For example, a CBA or another form of enforceable agreement with trade unions that secures wage progress over time.

In case of wholly owned factories or factories where a member company takes up the entire production capacity, causes are more likely influenced by members' pricing and as such higher accountability is placed on members' to take specific steps to increase wages towards a living wage.

Documentation

Member companies may present a wide range of evidence of how payment below living wage was addressed, such as: internal policy and strategy documents, reports, wage data/wage ladders, gap analysis, correspondence with factories, etc.

Relevant guidance, policy, tools and resources

Fair Wear Living Wage Policy.

3.12 Member company determines and finances wage increases.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member company has set a goal to increase wages and is systematically implementing financing ap- proaches through- out its supplier base. There is a solid strategy and mapping of the process, and a ho- listic approach on 'how you fulfil your responsibilities.'	Member company has set a goal to increase wages and started implement- ing financing ap- proaches to realise higher wages in a few production locations. Testing out some of the approaches.	Member company has started to address the topic, realising it is not only on the factory's side. Analysing what the living wage factor should be, and thinking about how to finance the costs.	No actions taken/ no target wage has been set.

Relevance

Fair Wear challenges its members to contribute to wage increases in their production locations. Fair Wear feels its member companies have a part to play in absorbing these costs. This indicator addresses the strategies member companies use to cover these extra costs. A member company first has to have insight into the amounts required. This indicator is closely linked to indicator 2.16 on transparent costing. A mix of approaches is possible to finance wage increases, depending on the nature of the member company. For example:

 Supply chain efficiencies: Design, logistical or purchasing efficiencies, operational efficiencies (cost-saving project), efficiency projects (marketing efficiencies, operation)

- Cooperation with other customers at production locations. These efforts only count when it leads to more money being available for wages.
- Lower margin
- Increased customer prices

In case of wholly owned factories or factories where member company takes up the entire production capacity, financing wage increase must be supported by the member company's pricing and internal processes. Intermediate nor advanced can be scored when the member company cannot demonstrate an appropriate financing approach in such situations.

Intermediate efforts relate to member companies that start addressing how to finance wage increases, realising it is not only on the factory's side. For example, member companies analyse the living wage factor and start thinking about financing the costs. Member companies are expected to set a goal regarding raising wages and start trying some of the financing approaches presented above, focusing on pilot projects in a few countries or few factories.

Advanced efforts relate to member companies that know the additional costs and start to systematically implement one or more of the financing approaches throughout the supply chain. Member companies show the extent that buyers' orders are priced to cover all the costs of compliant production to provide valuable evidence of progress on a buyers' commitments to living wages. There is a solid strategy and mapping of the process, a holistic approach that encourages the involvement of worker representation.

Documentation

Analysis of wage gap, strategy on paper, demonstrated roll out process.

Relevant guidance, policy, tools and resources

Fair Wear Living Wage Policy; Fair Wear's Living Wage Approach.

3.13 Percentage of production volume where the member company pays its share of the living wage estimate.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Share of a living wage estimate is paid for >67% of pro- duction volume.	Share of a living wage estimate is paid for 34-66% of production volume.	Share of a living wage estimate is paid for 1-33% of pro- duction volume.	The member company is not contributing to higher wages in any of its production locations.

Relevance

Fair Wear requires its member companies to act to ensure a living wage is paid in their production locations to each worker. At the brand level, Fair Wear expects that if a company is sourcing from different production locations, each location should fulfil the previous requirement – regardless of whether it is a shared or wholly owned facility. A brand is only in full compliance with the standard in Fair Wear's Code of Labour Practice when all facilities in a brand's supply chain pay living wages.

How a member company commits to a living wage estimate or sets the goal to increase wages is assessed in indicator 3.12. This indicator allows member companies to demonstrate that worker wages increased because they acted. The score will be based on the percentage of its production volume covered by these measures. The member company must show that the contribution to higher wages is not only being discussed but being paid. Production locations where the member can show that living wages are paid are also included in the score, regardless of whether the member company takes specific actions. In case of wholly owned factories or factories where member company takes up the entire production capacity, Fair Wear expects members pricing to enable payment of living wage estimates directly. When a member company cannot demonstrate progress for these production locations, it will be scored insufficient regardless of other efforts.

Documentation

Member company's own documentation such as reports, factory documentation, evidence of Collective Bargaining Agreement (CBA) payment, communication with factories, etc.

Relevant guidance, policy, tools and resources

Fair Wear Living Wage Policy; Fair Wear's Living Wage Approach.

3.14 Member addresses grievances received through Fair Wear's helpline in accordance with the Fair Wear's Access to Remedy Policy.

МАХ		MIN	N/A
4	2	-2	
Advanced	Intermediate	Insufficient	N/A
Member addressed complaints in accor- dance with Fair Wear's Access to Remedy Policy and uses the results for further preventive actions in its supply chain	Member actively ad- dressed complaints in accordance with Fair Wear's Access to Remedy Policy.	Member company did not adequately respond to a com- plaint, or insufficient action is taken.	No complaints received.

Relevance

Members are expected to actively support factory-level grievance mechanisms as part of regular contact with their suppliers (see indicator 3.4). This indicator evaluates the member company's response to complaints received through the Fair Wear complaint helpline. Fair Wear expects members to provide for or cooperate in the remediation of adverse impacts where they have caused or contributed to that adverse impact. When members have not caused or contributed to an adverse impact but are still directly linked, they are required to use their leverage to influence their suppliers to prevent or mitigate the impact and provide remedy.

Fair Wear's Access to Remedy Policy provides a framework for member brands, emphasising the responsibility towards workers within their supply chain. Fair Wear's complaints procedure is a channel for brands to receive direct information about possible problems related to working conditions in their production locations, including a clear procedure to solve problems. The system is based on dialogue and engagement, with strong brand involvement. For intermediate scoring, members must have adequately followed up on ALL complaints. Members should signal structural problems in case there are recurring complaints towards the same labour standards or when there are several complaints from the same factory. An advanced score means members use the outcomes of complaints to determine further preventive and mitigative actions in their supply chain. Fair Wear has specific protocols for urgent cases in which the timeline for follow up actions is monitored closely.

Documentation

Overview of supporting activities, overview of grievances received and addressed, etc.

Relevant guidance, policy, tools and resources

Fair Wear's Access to Remedy Policy; Fair Wear's Complaints Procedure.

3.15 Degree to which member company implements training to address the risks identified.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
Member brand im- plemented training for all factories where this need has been identified but also at factories where this risk has not yet materialised, i.e., beyond the risk assessment.	Member brand implemented training for all factories where this need has been identified.	Member brand im- plemented training for part of the facto- ries where this need has been identified.	Member did not implement training at factories where this need has been identified.

Relevance

Based on the prioritisation of the risk assessment, each action plan outlines specific actions for member companies and factories to improve the human rights situation at the factory. Training modules can play an important role in improving working conditions, especially for more complex issues, such as freedom of association or gender-based violence, where factory-level transformation is needed. Fair Wear expects member companies to determine what training is appropriate for each factory based on identified potential harm and dialogue with factory management and worker representatives. Members may also implement training to address risks that have been identified in risk scoping but has not been identified in the supplier risk assessment. In these cases, members can score advanced if they have also implemented training for all factories where this is part of the action plan. Within its Workplace Education Programme (WEP), Fair Wear offers different modules to support such transformation processes for issues more heavily linked to the factories responsibility and where single factories can achieve relevant changes. Currently, the Fair Wear WEP modules, "violence prevention capacity building" and "communication," and the ILO Better Work and ILO Score programme would be suitable training programmes. Fair Wear is continuously developing modules and tools that support factory-level transformative processes related to human rights.

Members may also arrange training on their own or with other initiatives/local organisations. Training must meet quality standards to receive credit for this indicator; member companies should contact Fair Wear regarding the quality before beginning training.

Documentation

Links between the risk profile, the action plan and training programme, documentation from discussions with management and workers on training needs, etc.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy.

3.16 Degree to which member company follows up after a training programme.

MAX			MIN	
6	4	2	0	N/A
Advanced	Intermediate	Basic	Insufficient	N/A
Member company shows fol- low-up on all training and uses results as input for its hu- man rights due diligence.	Member company follows up on all training.	Member company shows follow up on part of the training.	Member company did not follow up on training.	Member company did not imple- ment any training.

Relevance

Fair Wear regards training as a crucial tool to support transformative processes but acknowledges that complementary activities such as remediation and changes at the brand level are also needed to achieve lasting impact. Efforts of Fair Wear member brands to follow up after all training programmes are assessed under this indicator. This may include following up with the factory on further management-worker dialogue activities, ensuring peer to peer education, discussing whether issues raised during such activities might be impacted by brand practices and confirming regular anti-harassment committee meetings are implemented. Fair Wear will continue to provide guidance on actionable follow-up recommendations for brands after factory-level training programmes.

Advanced efforts mean that the member company does not just follow up on training but also uses the training results as input for its overall human rights due diligence system.

Evidence of engagement with factory management regarding training outcomes, documentation on follow-up activities, and proof of integration into further risk monitoring and profiling efforts.

Relevant guidance, policy, tools and resources

Fair Wear's Workplace Education Programme Guidance and Tools.

3.17 The member company's human rights due diligence system includes a responsible exit policy.

МАХ		MIN
4	2	0
Advanced	Intermediate	Insufficient
Member company human rights due diligence includes a responsible exit policy which is discussed with suppliers.	Member company human rights due diligence includes a responsible exit policy.	Member company human rights due diligence does not include a responsible exit policy.

Relevance

Fair Wear members must use their business relationship with the supplier to improve conditions rather than leaving the facility if problems are found. As long as the factory proves willing to improve, the Fair Wear member company does not leave its supplier for non-compliance. However, the reality of the industry means ending business relations are inevitable and for several different reasons.

Fair Wear members are required to support the supplier in preventing and remediating (potential) harms. In case the supplier shows structural unwillingness to cooperate and improve, and repeated attempts at preventing, mitigating or remediating (potential) impacts have failed, or the identified risk is too severe, (the threat of) ending the business relationship might be the last resort. However, this should be handled with great care. Fair Wear members must follow the steps as laid out in the Fair Wear Human Rights Due Diligence Policy and the Fair Wear Responsible Exit Policy and Guidance.

Responsible exit policy and guidance, examples of supplier communications.

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy (responsible disengagement); Fair Wear Responsible Exit Policy and Guidance; German Partnership for Sustainable Textiles Guidance on Responsible Exit. 3.18 Member company's measures, business practices and/or improvement programmes go beyond the indicators or scope.

МАХ		MIN	
6	4	2	N/A
Advanced	Intermediate	Basic	N/A
Member company extends its human rights risk monitor- ing, remediation and prevention activities beyond the indica- tors or scope.	Member company extends its human rights risk monitor- ing and remediation activities beyond the indicators or scope.	Member company extends its human rights risk monitor- ing activities beyond the indicators or scope.	Member company's activities do not go beyond the indica- tors or scope.

Relevance

Fair Wear would like to reward and encourage members who go beyond the Fair Wear policy or scope requirements. For example, innovative projects that result in advanced remediation strategies are not covered by the above indicators, pilot participation, and/or going beyond tier 2. Identifying risks and improving labour rights in tier 2 or beyond is extremely difficult due to a range of factors, including lack of visibility along the supply chain and the challenges in achieving full transparency and traceability. Without traceability and transparency, companies are at risk of complicity in potential negative impacts in their supply chains, including forced labour practices and unauthorised subcontracting.

Documentation

Overview of human right risk due diligence system, prevention, mitigation and remediation activities and processes.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy.

Layer 4 – External communication, outreach, learning, and evaluation

INDICATORS RELATED TO COMMUNICATION

4.1 Member company actively communicates about Fair Wear membership.

МАХ		MIN
4	2	0
Advanced	Intermediate	Insufficient
Member company active- ly engages with its cus- tomers and stakeholders to share its Fair Wear membership journey and spread the message.	Member company actively communicates about Fair Wear membership.	No active communication or inaccurate communi- cation.

Relevance

Fair Wear members have the tools and targeted content to inform customers, consumers, and retailers. Fair Wear expects its member companies to use these tools to showcase accountability without any need for greenwashing. The more brands communicate about their sustainability work, the greater the overall impact of the work of the Fair Wear member community.

This indicator focuses on the broader imperative of sharing the member story with consumers and other stakeholders. Advanced efforts mean the member company looks for additional channels to share its efforts. Providing adequate communication materials to retailers and (web)shops can count for this indicator as well, knowing that they can contribute to more and better visibility. Intermediate efforts mean brands use standard communication measures, such as their website or sales brochures, to communicate about their Fair Wear membership. Member companies will receive an insufficient when they, or their resellers, inaccurately communicate about Fair Wear (e.g., making unwarranted claims not in line with Fair Wear's communication protocols).

Documentation

Member website, sales brochures, and other communication materials.

Relevant guidance, policy, tools and resources:

Fair Wear Communications Guide and Policy.

4.2 Member company sells external brands with a Human Rights Due Diligence system (if applicable).

МАХ		MIN	N/A
4	2	0	N/A
Advanced	Intermediate	Insufficient	N/A
External brands are members of other credible initiatives.	Some relevant infor- mation is collected and influences decision making about which brands to resell.	No insight into the external brands' human rights due diligence efforts and/or inaccurate communication.	No reselling of external brands.

Relevance

Some member companies resell other brands, which Fair Wear refers to as 'external production'. This happens frequently in stores and online shops owned by member companies that sell a mix of their own brands alongside other brands that they do not own. Members are encouraged to resell brands that are members of Fair Wear or a similar organisation.

Fair Wear believes member companies who resell other brands should be rewarded for choosing to stock external brands who also take their supply chain responsibilities seriously. Member companies are expected to investigate the Human Rights Due Diligence system of these other brands, including production locations and the availability of monitoring information. This information should help guide the selection of which brands the member resells.

Documentation

External production data in Fair Wear's information management system, collected information about other brands' human rights due diligence systems, and evidence of external brands being part of other multi-stakeholder initiatives that verify their responsible business conduct.

Relevant guidance, policy, templates, tools and resources:

Fair Wear Membership Communications Guide and Policy; Fair Wear Member Hub FAQ.

INDICATORS RELATED TO BRAND AND SUPPLY CHAIN TRANSPARENCY

4.3 Human rights due diligence reporting is submitted to Fair Wear and is published on the member company's website.

МАХ		MIN
4	2	0
Advanced	Intermediate	Insufficient
Timely and in accordance with OECD guidelines. Published on the company website(s).	Timely and in accordance with OECD guidelines. Submitted to Fair Wear.	Inaccurate or not submitted.

Relevance

The human rights due diligence report is an important tool for member companies to account for their efforts and share these with stakeholders transparently.

Fair Wear expects the report to include the companies' HRDD policy and report on the most significant risks and the risk prioritisation process. Each year the report will include progress on the prevention, mitigation and remediation of (potential) human rights impacts. This report should be developed in accordance with Fair Wear's HRDD policy (paragraph 5.1) and the OECD guidelines. For stakeholders to have the necessary input to evaluate and respond to company activities, it is essential to have this report published before the performance check or at the latest within six months after the closure of the financial year.

Documentation

Human Rights Due Diligence report (which can be part of a larger RBC report).

Relevant guidance, policy, tools and resources

Fair Wear Human Rights Due Diligence Policy; Public communication; OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear's Social Report Guidelines (update forthcoming); Fair Wear Membership Communications Guide and Policy. 4.4 Member company engages in advanced reporting activities.

МАХ		MIN	
4	2	0	
Advanced	Intermediate	Insufficient	
Reporting on full factory disclosure and time-bound improvement plans.	Reporting on factory level data and remediation results.	No advanced reporting.	

Relevance:

Good reporting by members helps ensure the transparency of Fair Wear's work and helps share best practices within the industry. Members report on the implementation of Fair Wear membership requirements in their social report. This indicator reviews transparency efforts reported beyond (or included in) the social report (e.g., time-bound plans, having progress on remediation externally verified, brand performance check results, or dilemmas about (purchasing) practices).

In addition, specific information about production locations, such as the availability of union representation, gender breakdown, number of migrant workers and wage levels in factories, is crucial for consumers and external stakeholders to understand factory and brand level progress. The Fashion Transparency index can be used as a reference on data reporting requirements regarding traceability, gender breakdown, living wage response, unionisation, gender equality and so on.

Member transparency regarding production locations adds to public accountability. Moreover, stakeholders in garment producing countries, like trade unions and labour NGOs, can use this information to support workers in gaining access to remedies. While Layer 1 assesses whether members disclose aggregate-level production location data on the Fair Wear Transparency portal, this indicator rewards members with an advanced score for disclosing disaggregated factory lists.

Documentation

Brand Performance Check, audit reports, information about innovative projects, specific factory compliance data, disclosed production locations (list tier 2 and beyond), disclosure of production locations, alignment with the Transparency Pledge.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy; Fair Wear Communications Guide and Policy; Fashion Transparency Index; Transparency Pledge.

INDICATORS RELATED TO EVALUATION

4.5 Member company has a system to track implementation and validate results.

МАХ			MIN
6	4	2	0
Advanced	Intermediate	Basic	Insufficient
The evaluation system includes top management and triangulated information from external sources.	The evaluation system includes top management.	Basic evaluation system.	No system to verify progress.

Relevance

Progress must be checked against goals. Workers and suppliers should play an integral role in monitoring progress against goals.

Members are expected to have a system in place to track implementation and validate the progress made. It should seek assurances that the measures/ actions taken by the company have been effective in preventing and remediating human rights violations. There are several reasons why the measures that were taken may not have been effective: the measure taken was ineffective, or there was insufficient time to observe the progress or inadequate resources were allocated to implement the corrective action plan.

The evaluation system should verify that the member has carried out the actions it has committed to within the agreed-upon period, for example in the Fair Wear annual workplan. The system should involve top management to ensure that Fair Wear policies are integrated into the structure of the member company. Evaluation can include input from relevant external stakeholders and feedback from workers and suppliers. Fair Wear expects members to use

brand performance check requirements and recommendations as input for the internal evaluation. Members can use data from ongoing monitoring, periodic internal assessments, issues raised through grievance mechanisms, etc.

Documentation

Documentation of top management involvement in systematic annual evaluation includes meeting minutes, verbal reporting, PowerPoint presentations, etc. Evidence of worker/supplier feedback.

Relevant guidance, policy, tools and resources

OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector; Fair Wear Human Rights Due Diligence Policy; Fair Wear Member Hub FAQ. 4.6 Level of action/progress made on requirements from previous Brand Performance Check.

MAX		MIN		
4	2	0	-2	N/A
Advanced	Intermediate	Basic	Insufficient	N/A
Member com- pany has ad- dressed all the requirements from the pre- vious Brand Performance Check.	Member company has addressed at least half of the require- ments from the previous Brand Perfor- mance Check.	Member company has addressed less than half of the require- ments from the previous Brand Perfor- mance Check.	Member company has not addressed any of the requirements from the pre- vious Brand Performance Check.	No require- ments were included in the previous Brand Perfor- mance Check.

Relevance

In each Brand Performance Check report, Fair Wear may include requirements for changes to management practices. Progress on achieving these requirements is an important part of Fair Wear membership and its process approach.

Documentation

Member should show documentation related to the specific requirements made in the previous Brand Performance Check.

5. Appreciation chapter

Indicator

5.1 Member company publicly responded to problems/allegations raised by consumers, the media, or NGOs.

For example, they:

- Take on speaker roles at sustainable events or exhibitions
- Set up own (online) awareness campaigns
- Undertake marketing collaboration withs other brands or (online) media requests
- Actively communicate on owned channels (i.e., website and social media) about problems/allegations raised by consumers, the media, or NGOs

5.2 Member company actively participated in lobby and advocacy efforts to facilitate an enabling environment in production clusters.

For example, member brands engage in/support:

- Fair Wear or other organisations' (online) awareness and activation campaigns
- Initiatives for industry-level collective bargaining on wages
- Participation in MSI projects
- Signing collective lobby/advocacy letters to governments

5.3 Member company actively contributed to industry outreach, visibility, and learning in its main selling markets.

For example, they:

- Participate in campaigns and actively communicate to influence the wider industry
- Take on speaker roles at industry events or exhibitions

Comments / N/A

Glossary

Adverse impact

Impacts on matters covered by the OECD Guidelines which include adverse impacts related to disclosure, human rights, employment and industrial relations, the environment, combatting bribery and extortion, and consumer interests. The Brand Performance Check Guide uses the term 'harm' to refer to adverse impacts.

Business relationship

This includes relationships with business partners, entities in its supply chain, and any other non-state or state entity directly linked to its business operations, products, or services. Business relationships may include any supplier or other business partner in an enterprise's supply chain.

Corrective action plan

A time-bound and actionable plan to prevent or mitigate harm.

Cut-Make-Trim (CMT)

This refers to the product assembly process, which usually relies upon sewing, but may utilise other techniques like gluing or bonding.

Direct sourcing

An enterprise holds a direct contractual relationship with its supplier.

Due diligence

The process through which enterprises can identify, prevent, mitigate, and account for how they address both their actual and potential adverse impacts. Due diligence can be included within broader company risk management systems, provided it goes beyond simply identifying and managing material risks to the company itself and includes risks of harm related to matters covered by Fair Wear membership.

External production

Other brands sold by a member company in a retail or wholesale (web)shop. External brands are those which the member does not own or otherwise control.

FOB

An acronym for 'Freight on Board' or 'Free on Board' used to indicate the price a brand pays for a garment once it has been loaded on a ship for export. This is a common payment arrangement within the apparel industry, and is one of the types of documentation Fair Wear uses in assessing monitoring systems.

Gender-responsive due diligence

Gender-Responsive Due Diligence (GRDD) applies a gender lens to each step of the due diligence process to contribute to gender equality and minimise the adverse business impacts on women.

Indirect sourcing

When a company sources a product – anything ranging from raw materials to finished goods – through an intermediary.

Intermediary

A person or organisation operating on behalf of a company to source products, such as production location related contractors, external agents, or other sourcing contractors working on behalf of the member brand.

Leverage

When a company affects change against the wrongful practices of the entity that has caused harm (OECD Guidelines, II, Commentary, 19).

Meaningful stakeholder engagement

Engagement with stakeholders characterised by two-way communication where the participants on both sides operate in good faith.

Mitigation

Mitigation refers to actions taken to diminish or eliminate harm if a negative

event occurs. Mitigation measures may be taken before, during, or after an event to reduce the degree of harm.

Prevention

Prevention refers to actions taken to prevent harm from occurring, or re-occurring, in the first place. Fair Wear uses the term 'prevent' broadly to include any action intended to stop harm from taking place.

Remediation

The provision of remedy for adverse impacts. Fair Wear considers remediation in a broad sense – it can cover both the action needed in response to harm and the action needed to improve a labour rights situation before potential harm occurs.

Responsible Business Conduct (RBC)

This entails compliance with all laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability – even when these are poorly enforced.

Risk

Risk refers to the risk of harm to individuals, other organisations, and communities concerning human rights, labour rights, and the environment. When used here, it does not focus on risks to the business itself.

Risk-based approach

The procedures that a company implements to conduct due diligence that are proportionate to the risk and severity of the harm.

[Responsible] sourcing strategy

A sourcing strategy describes the processes and methods of how goods are purchased. For Fair Wear, a responsible sourcing strategy integrates human rights due diligence with a clear decision-making process and a weighting of labour rights in sourcing decisions. It describes the process of supplier selection and management, detailing how working conditions influence this process. This strategy should mitigate various financial and ethical risks in the value chain and provide the foundation for a stable, effective, and responsive supply chain. It integrates CSR into the company's organisational structure in such a way as to allow interaction and input between various departments.

Sector risks

Sector risks are risks that are prevalent across an entire sector. Sector risks in the garment and footwear sector include, but are not limited to, all areas of the Code of Labour Practices.

Subcontracting

When a person or enterprise performs a service or activity necessary to complete another enterprise's contract.

Sub-sector risks

Risks unique to a sub-sector of the garment and footwear sector (e.g., athletics apparel, footwear, uniforms).

Supplier / production location

For the sake of simplicity, whenever Fair Wear uses the term supplier, it refers to the production location – the factory/manufacturer/location where the garments or products are actually produced. Not the agents, buying houses, or intermediaries.

Traceability

The process by which an enterprise tracks materials and products and the conditions in which they were produced throughout the supply chain.

Validation

The determination of whether (or not) the actions taken to mitigate (potential) harm are indeed effective in preventing negative impacts. Verification and monitoring data feed into validation.

References

- Better Buying Special Report: Payment and Terms and the Need for New Practices (June 2020)
- > Freedom of association and social dialogue: a guide for brands (2022)
- Common Framework of Responsible Purchasing Practices
-) ETI Resources on Homeworkers
- > Fair Wear's Fair Working Hours Guide
- > Fair Wear's Communications Guide and Policy
- > Fair Wear's Freedom of Association Policy
- Fair Wear's Gender Policy
- > Fair Wear's Human Rights Due Diligence Policy
- Fair Wear's Living Wage Policy
- > Fair Wear's Responsible Exit Strategy
- > Fair Wear's Supplier Transparency Policy
- > Fair Wear's Complaints Procedure
- > Fair Wear's Guidelines on Home-Based Work
- Fair Wear's Living Wage Approach
- > Freedom of Association and Social Dialogue: Tools for Brands
- Writing a Social Report
- > Fashion Transparency Index
-) Gender Responsive Human Rights Due Diligence Tool (PLAN Nederland)
- <u>Gender-Responsive Due Diligence (GRDD) Platform (Women-win)</u>

- Serman Partnership for Sustainable Textiles Guidance on Responsible Exit
- > Guide to Buying Responsibly (ETI)
- Homeworkers Worldwide
- MVO Risicochecker
- > <u>OECD Due Diligence Guidance for Responsible Supply Chains in the</u> <u>Garment and Footwear Sector</u>
- > Supplier Model Contract Clauses
- > The Danish Institute for Human Rights' Country Guide
- > <u>Transparency Pledge</u>





