



## **Details of the 4 principles to be used to monitor standard holders' efforts to reduce audit and standard fatigue:**

One of the key objectives of the IAF – ITMF initiative is to help consolidate the social compliance sector in an attempt to reduce the costs to the industry, allowing stakeholders to focus more on the improvement of working conditions through supply chain collaboration and remediation. The overarching goal is to contribute to the improvement of working conditions in the apparel and textile industries.

The auditing conduct of standard holders including brands, retailers and third-party standard holders determines if we are moving firmly in the direction of less unnecessary overlap of audits and standards. A major reduction in audit fatigue would result from brands and retailers dropping their proprietary standards. IAF and ITMF are using their network and their position to demand this. Brands and retailers should rather work with third-party standard holders. Therefore, the second component of the SCI is to work on the reduction of audit and standard fatigue with third-party standards holders and those brands and retailers that have good reasons to retain their own standards. While the reduction of overlapping audits and standards is the major concern here, we are aware that we must not lose sight of the importance of the quality of the audits themselves. But also, when measuring quality, from the onset we need to avoid again a plethora of nearly similar standards.

We have therefore identified four principles to use as a yardstick to judge standard holders' commitment to reduce audit and standard fatigue against a necessary backdrop of high quality, where available, by involving industry wide and global initiatives to collaborate.

The purpose of the principles will be twofold. IAF and ITMF members and relations will be asked to recommend to their members to work with those standard holders that are committed to reduce audit and standard fatigue, as demonstrated by their adherence to the four principles. Secondly, the four principles will provide a foundation for a structural monitoring of standard holders' efforts to reduce audit and standard fatigue that will be carried out by ITC. In order to be transparent about the grounds for endorsing standard holders to IAF and ITMF members the four principles are posted clearly on ITMF/IAF's project website (<https://www.standard-convergence-initiative.org>).

### **Principle 1: Level of preparedness to harmonise standards:**

A significant portion of the social and labor standards used in codes of conduct used by standard holders are overlapping. Where the overlap of standards is complete, there is no problem. The problem arises where the standards are nearly the same, but not quite, so that a manufacturer ultimately is forced to invest in compliance with the toughest variety of the standard in the market. From the perspective of the standard holder, many elements of its standard are non-competitive and non-contentious. They do not touch the standard holder's market identity and they do not reflect a standard holder's moral convictions underpinning the standard. These overlapping, non-contentious standards are often found for example in the realm of health and safety standards.

So, to reduce standard fatigue, standard holders can actively work both individually and with other standard holders to fully even out their standard's small deviations. There are several ways in which they can do this:

1. They can identify within their standards those components that are noncompetitive and for which they have room to change compliance definitions without compromising the set of convictions on which the standard is built. For these standards, they can accept a 'margin of deviation'. These steps can be taken individually.
2. Together with other standard holders they can conclude harmonization agreements, where the standard holders agree on aligning their standards, straightening out small differences. IAF/ITMF will work with ITC to try to create a global project that will help standard holders to align their standards.
3. A third option is to agree on mutual recognition of certain elements of each other's standards.

So, in order for a standard holder to qualify as an organization willing to harmonize standards, it must be either currently working in one of the three ways above or it must have made a clear and demonstrable commitment that it will start working in one of the three ways above.

A willingness to harmonize standards does not mean working towards just one industry standard. An industry as diverse as the fashion industry requires the existence of different standard holders in the market that can offer different nuances in the definitions of good labour practices as well as differences in the extent of the labour conditions taken into account.

### **Principle 2: Alignment with OECD Due Diligence Guidance and ILO Standards**

The OECD has developed a due diligence guidance, basically a translation to the situation of the apparel and textile industries of the due diligence component of the UN's Ruggie framework. This global framework has been devised by a team lead by Harvard professor John Ruggie with the aim of helping companies and governments establish their responsibilities for conditions in the multinational supply chains that they operate in. The concept of due diligence is one of the key

components of the framework. It gives guidance on how companies can define what for them is a reasonable effort to mitigate the risk of contributing to adverse working conditions in the supply chain and to remediate these adverse conditions when they have occurred. It is an important globally recognized approach that helps particularly retailers, brands and manufacturers determine which actions can reasonably be expected from them. This also helps them communicating with concerned citizens and explaining why they have prioritized one action over another in the sphere of responsible conduct. And it fosters a better balance across the supply chain of time and money invested in improving working conditions because a reasonable effort required of a buyer often goes beyond simply demanding certificates from suppliers. It brings the role of purchasing practices into play, recognizing that the conduct of the buyer can actually work against the compliance requirements imposed on manufacturers by the same buyer.

As such, we feel that brands, retailers, manufacturers and the standard holders that serve these companies should be sufficiently aligned with the OECD's due diligence guidance. There are numerous ways in which companies or standard holders can achieve this alignment. The OECD is spreading the use of the global due diligence framework and it has developed a due diligence alignment tool that is primarily aimed at use by standard holders. Such important industry-government joint ventures on responsible business conduct as the Dutch Agreement on Clothing and Textiles and the German Partnership on Sustainable Textiles have also embraced the due diligence approach, working with the OECD and with companies and standard holders to incorporate it into the requirements imposed on their signatories. The OECD is working with IAF and ITMF on offering a self-assessment instrument that may include a validation component. This will not be a replacement for the full alignment tool and standard holders that take the self-assessment will be asked to commit to undergoing the full alignment check within a certain number of years. But because it is immediately available it will give standard holders the chance to demonstrate that they are working on the adherence to this principle making this principle also a realistic one.

We realize that the approach and scope of some standard holders does not allow for the straight inclusion of compliance with the OECD's due diligence guidance within the standards holder's system. These structural differences will of course be taken into account when using these principles to make an assessment.

Inclusion of the eight fundamental ILO Conventions in standards is broadly expected and can practically be taken as a given but must be included in our criteria here for the sake of completeness.

### **Principle 3: Level of preparedness for sharing audits**

Manufacturers will work to comply with the requirements of different buyers, standard holders and certifying bodies and will be subject to audits from each of those. These audits will often collect very similar data and have overlapping areas of focus. One of the objectives of the IAF / ITMF initiative is to capitalize on existing efforts and eliminate redundancy. At this moment, the

SLCP is the major global effort to eliminate social audit redundancy, answering to the requirements of a large number of brands, retailers, standard holders and certifying bodies. It has developed a comprehensive, agnostic tool with a standard methodology for data collection and verification and it will work best when it is used by the majority of brands, retailers and standard holders. However, other platforms and other methods to viably and verifiably reduce audit fatigue will also be considered when determining adherence to this principle. The bottom line is that the efforts of a brand, retailer or a standard holder significantly reduces audits on a global scale and does not stand in the way of an optimum result for the industry overall. In other words, standard holders must strive on a global, industry-wide scale (not just within their own systems) to use data that is already out there to avoid double auditing.

#### **Principle 4: Level of preparedness to integrate quality assurance oversight**

While SLCP is looking at streamlining data collection, it is important to develop industry-wide, global standards for the quality of the auditing function itself as well. This will facilitate the exchange of information between the various platforms and allow players to work together to improve the working conditions for labor in the textile and footwear industries. Data collected by one party and used by the other must be trusted. Trust is partly dependent on the quality of the work of the individual collecting the data.

Globally, currently the major organization working on the assurance of quality of the auditors themselves is APSCA, the Association of Professional Social Compliance Auditors (APSCA).

APSCA is an industry association, whose members represent a substantial majority of the Social Compliance audit industry. Its goal is to enhance the professionalism, consistency and credibility of the individuals and organizations performing independent social compliance audits. It does so by certifying individual auditors working for APSCA member audit firms as Certified Social Compliance Auditors (CSCAs). There is no alternative on a global level to APSCA when it comes to certifying social auditors.

Currently, auditors working for individual brands or retailers cannot yet become CSCAs making full collaboration with an organization as SLCP difficult. However, APSCA is developing rapidly and ITMF and IAF are in close connection with APSCA so that it can come to occupy a clear and congruent position in these principles. In the meantime, as there is no alternative, we are including in the principle a preference for working with APSCA certified auditors unless adherence to one or more of the other three principles stands in the way of this.