

# Due diligence and cotton standards

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# Sustainability standards and schemes

- Standards: usually voluntary private initiatives with production criteria, verification/certification, labelling (sometimes); Legislation exists for basic organic farming
- Schemes: Based on respecting legislation in place or training, not a defined set of criteria or a baseline.
- Usually do not link to supply chain standards
- Strict delimitation may miss some problems (labour, human rights, deforestation, land grabbing)

# Standards and Schemes

Organic, GOTS,  
Organic/FT

Better  
Cotton/BCI

Cotton made in  
Africa

Fairtrade

Cotton Leads

My  
BMP/Abrapa

# Due diligence

- OECD Guidelines exist for Agriculture and for Garments and Footwear (2016)
- The OECD-FAO Guidance for responsible agricultural supply chains, published in 2016, says: '*Due diligence is ... the process through which enterprises can identify, assess, mitigate, prevent and account for how they address the actual and potential adverse impacts of their activities....*'.
- Places a clear responsibility on final buyers
- Covers whole supply chain and all suppliers
- Strong focus on labour and human rights
- Alignment with legislation such as Modern Slavery Act, non-Financial disclosure, French corporate duty of vigilance makes this very relevant for brands operating in relevant markets
- Risk based approach means real problems are identified
- But weaknesses include on lack of clear criteria and reliance on companies own assessments

# Due Diligence: the cherry on top

This leads us to  
voluntary  
approaches  
chains to loc

OECD D

Global rep

UN Business  
(Rugg

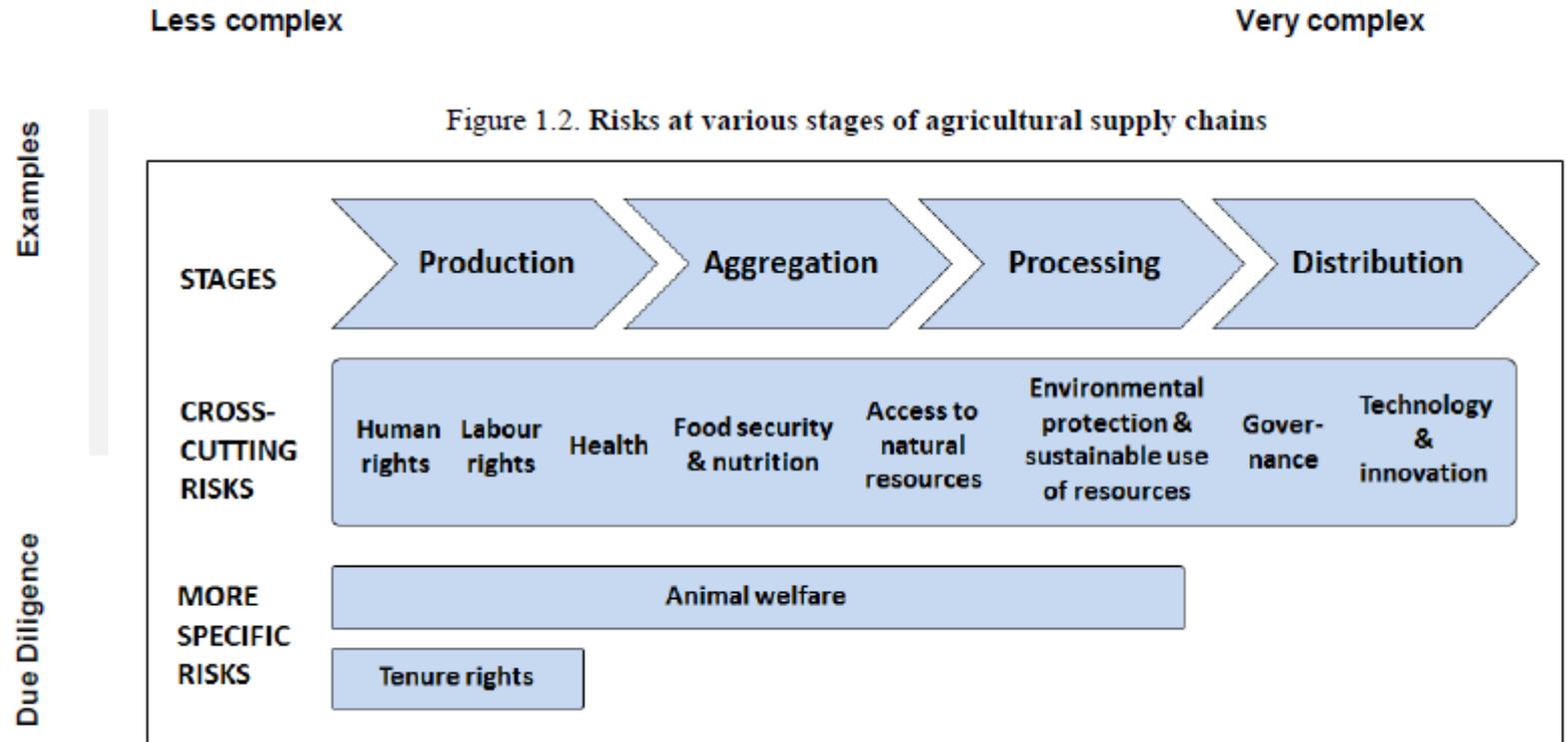
Potential EU ac  
Water

French corpor

UK Mode

Dutch –

EU: non-financi



- contributing to adverse impacts
- Prioritise adverse impacts for prevention and mitigation

- impacts linked to suppliers and account for progress
- Prioritise adverse impacts for prevention and mitigation

whether severe adverse impacts are being prevented/mitigated ; or engage in credible industry or multi-stakeholder initiative to address risks linked to upstream suppliers

# Complementarity between Standards and Due Diligence

A standard defines :

How a product is made

How its integrity is preserved (and consumers) and also environmental and/or social criteria

Including rules and principles on the products and processes

And its verification and certification and labelling

Standards usually have clearly defined scopes with limits, i.e., may cover how a product is farmed but not on what type of land

OECD due diligence guidelines are a risk management tool to help companies:

Identify, assess, prevent, mitigate and account for potential and actual risks in supply chains

If applied strictly they go much further than a standard or a multiplicity of standards can

They require the final product owner (before the consumer) to take full responsibility of the supply chain, and so to know it.

# In practice

- Standards remain dominant
- However, production continues to outstrip actual use, even in organic cotton, the best performer
- Brands complain of cost and complexity in standards
- As well as poor data, difficulties to compare or evaluate impacts, difficulties in sourcing, and so on.
- With increasing legislation, due diligence could become more attractive

# Traceability implications

- Due diligence means buyers have to know their supply chains
- This could encourage more traceability and transparency
- Brands can no longer hide and say they have no knowledge of where raw materials come from, or rely on having anonymous mass balance supplies
- Identifying, assessing, mitigating and/or preventing risks can also mean other problems are avoided outside direct field impacts

# Moving forward

Standards and certification can still add credibility and verify discrete products and processes

But due diligence is needed to put these into context and avoid potential problems and loss of credibility

Due diligence can also put more responsibility onto brands and those who profit most from sustainable supply chains

Due diligence can also link voluntary approaches (certifications) and legal/regulatory requirements (Modern Slavery, Disclosure, etc.)

A good use of data is needed to support good traceability, transparency, reporting (blockchain, etc.)

