

Higg Brand Retail Module Guidance: Track & Communicate Progress

Introduction

As part of the Higg Brand & Retail Module (Higg BRM), brands and retailers are expected to track and communicate progress on their company targets for mitigating harm and improving social/human rights performance. This guidance is designed to help you **track and communicate the efforts your company is taking to prevent and mitigate human rights risks and impacts** as part of your human rights due diligence. These represent steps 4 (Track) and 5 (Communicate) of the OECD Due Diligence Guidance (“OECD Guidance”). The OECD Guidance supports expectations established in the UN Guiding Principles on Business and Human Rights (UNGPs) “Protect, Respect and Remedy” Framework on the role of business to respect human rights and provide access to remedy.

Sustainable Apparel Coalition developed additional tools that provide additional context to help you track and communicate your commitments: 1) A target template for tracking and uploading your goals into the Higg BRM; 2) Guidance to setting a baseline assessment; 3) Target setting guidance.

Verifying Effectiveness

As part of Step 3 (**Cease, prevent or mitigate harm in the enterprise’s own operations and its supply chain**), your company developed and implemented a plan to stop, reduce and prevent human rights risks. Step 4 is focused on assessing if your plan is helping your company successfully reduce these risks through verification, monitoring and validation.

I. Verification

This means confirming all actions are completed as committed. For example, if an audit conducted at a factory you are sourcing from identifies fire doors are blocked, you may require the facility to develop a corrective action plan (CAP) to reduce health and safety risks to workers. Then, to verify the facility has taken the actions agreed upon, you may require a follow-up audit to validate the facility took the requested action.

II. Monitoring

This means developing and tracking indicators to measure how far the plan is from its intended goal.

- **Quantitative** indicators are numerical values used to measure if the activities and actions are happening as defined in the plan.

Example: The number of internal employees who attend a training on forced labor or the decrease in the number of audit violations.

- **Qualitative** indicators measure if the desired behavior change occurred as intended and are typically expressed as a percentage.

Example: Increased levels of women’s participation in decision making at a factory as a result of women’s empowerment training.

III. Validation

This means evaluating if actions taken have adequately stopped or reduced the risk and/or impact as intended. The insights gained during verification and monitoring should be used to evaluate the effectiveness of actions taken.

You may determine actions taken have not addressed the risk sufficiently. If this is the case, it is important to review why improvements aren’t occurring as expected. For example, this may be a result of not having accounted for enough time to implement each action to achieve the desired results, the need for additional resources to support implementation of any actions, or identifying additional steps need to be taken. Based on the learnings, revise the plan and implement to continue efforts to mitigate and prevent the risks and/or impacts.

Higg Brand Retail Module Guidance: Track & Communicate Progress

You may want to engage a third-party subject matter expert if the following scenarios occur:

- Technical expertise is needed to verify action has been taken (e.g. building engineer, chemical expert);
- You are not able to identify why the plan isn't achieving the desired goal.

How do these three steps work together?

The following scenario demonstrates how verification, monitoring and validation work together:

Audit findings identify multiple facilities have large numbers of employees who are not wearing their personal protective equipment (PPE), which is increasing the number of health and safety risks to workers and their right to a safe work environment.

Your team does a root cause analysis and identifies workers are not wearing their PPE because it is uncomfortable and slows down their work, and they do not understand it is intended to protect them from health and safety risks associated with their job. Your team creates a plan to reduce the risk by working with the factories to deploy trainings to educate workers on risks in the workplace and how PPE helps protect them.

You define and monitor the following indicators to monitor if your plan is successful in reducing the risk:

- ***Quantitative: Number of trainings conducted; Number of PPE-related audit violations.***
- ***Qualitative: Percentage of workers surveyed who report they see their PPE as important to their personal safety before and after implementing the plan.***

The quantitative indicators help you verify all required actions have been completed as committed, which allows you to identify trends and impact of the work.

The qualitative indicator helps you validate if your plan was effective in reducing this risk, which will help you better understand the nuance and drivers behind the impact.

What does this mean for your company?

Review your plan to identify all milestones, responsible actors and any external commitments. Then, define the best approach for how to verify, monitor and validate the plan by considering the following factors:

Verify:

- What proof is needed to demonstrate the action was completed as expected?
- Is (external) expertise needed to validate the action occurred?
- Is a site-visit required?
- Is a third-party needed to validate this information to prevent any concerns about credibility?
- Is this information already collected as part of ongoing process that could also support validation?

Monitor:

- What are the actions you are trying to measure? (These are the **quantitative** indicators.)
- What change in behavior are you trying to achieve? (These are the **qualitative** indicators.)
- How can you measure these indicators?

Validate:

- Did the plan accomplish what it intended to accomplish?
- Why did it meet or not meet the desired end goal?
- How could it better address the goals?
- Is additional expertise needed to better assess the situation and identify another approach to improve the effectiveness of the plan?

Higg Brand Retail Module Guidance:

Track & Communicate Progress

Please note, if, when attempting to either define your approach to verify, monitor and validate or struggling to be able to answer any of these questions when activity are underway, consider bringing in an expert to assist your efforts.

Once these high-level questions have been developed, consider the following points to define the plan to track progress:

Accessibility	<ul style="list-style-type: none">• How easily can the needed data be obtained to demonstrate action is completed?• Can this information be collected internally or are external partners needed to provide reliable data?• Are there any other types of internal reporting or third-party provided reporting that can be used to help validate this information? If yes, what is the frequency?
Credibility	<ul style="list-style-type: none">• Who should provide the data for it to be considered reliable by both internal and external stakeholders?• What data is the most trustworthy data to validate actions are taken?• Do any specific stakeholders need to be involved in collecting data to strengthen evaluation criteria (e.g. worker survey input, interviews with local stakeholders)?
Data Management	<ul style="list-style-type: none">• Who will be responsible for requesting, reviewing and managing the data to verify commitments are met?• When does this data need to be collected for external reporting requirements or committed milestones?• How often should data be collected and reviewed based on the level of risk?• How long will it take to gather needed data?• How will this information be requested, collected and stored?• Who needs to be involved in reviewing data and other relevant materials to assess if goals are sufficiently met?• Does this information need to be reviewed with any external stakeholders before decisions are made on the plan's effectiveness?• Who has the authority to sign-off that a plan has effectively met the planned targets and can be closed?

Communicate what actions the company has taken to address risks

The UNGPs and OECD Guidance both define expectations that companies publicly report on actions taken to address risks and/or impacts and the effectiveness of those efforts. Communication on progress can be included in an annual Sustainability report, a standalone human rights report and be incorporated into your defined stakeholder engagement process.

Companies may also be legally required to report on their activities based on where they operate. For example, reporting regulations, such as the U.K. Modern Slavery Act, French Duty of Vigilance, as well as required non-financial reporting requirements (e.g. Directive 2014/95/EU), require companies to publicly report based on defined criteria, such as annual revenue and the number of employees within the company.

Types of reporting legislation

Reporting legislation for adverse impacts or risks related to corporate social responsibility and human rights due diligence typically falls within three categories:

- **Disclosure-only:** Requires in-scope companies to disclose their compliance activities relevant to the legislation. It does not require companies to conduct any additional due diligence such as policy adoption, supply chain risk assessments. Its intent is to increase transparency. Examples include the California Transparency in Supply Chains Act, EU Non-financial Reporting Directive and UK Modern Slavery Act.

Higg Brand Retail Module Guidance:

Track & Communicate Progress

- **Disclosure & Due Diligence:** Requires in-scope companies to conduct due diligence related to a specific, such as conflict minerals, and disclose the results of those efforts. It does not require remediation of any identified impacts or risks. An example of this type of legislation is the U.S. Conflict Minerals Rule.
- **Disclosure, Due Diligence & Remediation:** Requires companies to conduct due diligence, remediate any impacts or risks identified and disclose actions taken. Examples of this include the U.S. Federal Acquisition Regulation Anti-Human Trafficking Rule and French Corporate Duty of Vigilance Law and the Netherlands Child Labor Due Diligence Law.

What does this mean for your company?

- Review regulations within the countries your company operates to determine if you are required to report.
- Consider developing a comprehensive approach based on requirements defined under Step 5 of the OECD to communicate the activities your company is taking and any other regulations requiring your company to report on its due diligence efforts.
- This allows you to streamline internal processes for efficiency and ensures you comply with all reporting requirements.