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## **OTCO Guide to GOTS Due Diligence Management Process**

### **Due Diligence (noun)**

- 1 (law):** the care that a reasonable person exercises to avoid harm to other persons or their property. *Failed to exercise due diligence in trying to prevent the accident.*
- 2 (business):** research and analysis of a company or organization done in preparation for a business transaction (such as a corporate merger or purchase of securities).

### **Resource Material**

*Visit/bookmark/download/REVIEW the following links as they are essential to help you with complying with the Due Diligence Management Requirements and creating your Responsible Business Conduct Policy:*

1. [GOTS Due Diligence Handbook for Certified Entities](#)
2. [Global Organic Textile Standard Version 7.0](#)
3. [Required Forms – OTCO’s web page of blank forms](#)
4. [OECD – Due Diligence Guidance for Responsible Business Conduct](#)
5. [OECD – Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector](#)
6. [OTCO Webinar & Slides – “How to Right Size Due Diligence for your Company”](#)

### **Synopsis**

The three key steps to setting up your Due Diligence process are:

1. Study the resource material provided above.
2. Fill out an FT10 Form.
3. Create a Responsible Business Conduct (RBC) Policy.

Certified Entities must develop and implement a comprehensive RBC Policy, as detailed in [the GOTS Due Diligence Handbook](#), to “operationalize” due diligence. This policy should articulate your commitments to responsible business conduct and how those commitments relate to your operations and supply chain. By embedding due diligence into your existing management systems, you can create a structure for identifying, preventing, mitigating, and accounting for actual and potential adverse impacts.



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## **Steps to Due Diligence Compliance**

1. Begin this requirement by reading the resource material. Start with the first two links above (Due Diligence “Handbook” and GOTS v7.0).
2. Then fill out OTCO’s [FT10-Due Diligence Management Process](#) form. By completing this document, it helps you figure out what criteria *already exist* within your company when it comes to due diligence.
  - How you answer questions on the FT10 Form will give you great context for where to begin addressing specific measurables.
  - As your business is unique, take note of the specific aspects of due diligence that pertain to your business to help you begin writing your RBC Policy (step 2).
  - Write with as much detail as possible within the statement areas on the form, or, specify which attached documentation you are including to demonstrate exactly how/where these requirements are being met (e.g., exact location within an Employee Handbook, an HR Policy, a weblink to a sustainability webpage, etc.).
    - If documentation or a link is included, list its file name within the answers on your FT10 Form. Include a reference point or highlight the pertinent pages/sections we need to review; do not send the Fiber & Textiles Team an entire document without direction as to which sections to review.
  - If a certain section of the FT10 does not relate to your operation – you are not required to fill out that section. However, it is important to understand why it does not apply, and therefore backed up with a reason within your answers.
3. Next, use your answers from the FT10 Form as the foundation to build your **Responsible Business Conduct (RBC) Policy**.
  - Do you already have something like an RBC Policy? Do you call it “Ethical Business Code,” or “Corporate Social Responsibility” Policy”? Does it meet the “Six Steps” of criteria? THIS is a perfect place to begin building your RBC Policy to meet the GOTS 7.0 Requirement.

## **Building the Responsible Business Conduct (RBC) Policy**

At the core of the Due Diligence Management Process is a six-step framework, as provided in Section 4 of the Handbook. This framework facilitates you by providing clear steps for you to follow in order to achieve a thorough due diligence process.

- Acknowledge the “Six Steps” of Due Diligence Management Process.
  - This framework guides you by ensuring compliance with the following sections of GOTS 7.0: *Chemical Input Criteria, Environmental Criteria, Human Rights and Social Criteria, and Governance Criteria.*



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- If any of the required criteria is new for your organization, speak about how you plan to implement it moving forward, with a specified time frame, and **be aware that you will be inspected and certified according to these statements.**
- Encompass all of your business's potential sector risks.
- Tailor your RBC Policy to the specifics of your company.
- Articulate the expectations of suppliers and/or business partners, and how you plan to communicate such expectations with them.

## **Overview of the Six Steps of Due Diligence Management Process**

*OTCO's Fiber & Textiles Team recorded a 1-hour webinar on "How to Right Size Due Diligence for Your Company." The webinar link and a download of the slides are available on our website here: <https://tilth.org/gotswebinar/>*

### **1. Imbed the Policy**

Integrate due diligence into organizational policies and management systems

### **2. Identify & Assess**

Identify risk and assess actual and potential adverse impacts

### **3. Cease, Prevent & Mitigate**

Identify actual or potential adverse impacts, then what you are doing to cease, prevent or mitigate those impacts

### **4. Tracking Implementation and Results**

Implementation must be documented and progress tracked

### **5. Communicate Impacts to All**

Show how efforts are transparent to all involved stakeholders

### **6. Remediate Accordingly**

Transparent efforts to remedy harm. The due diligence process is not a one-off activity – but an ongoing exercise that recognizes the changing risk landscape as business operations and contexts evolve.

## **Key Takeaways – Annual Monitoring of Due Diligence Management Process**

- The Due Diligence Management Process is meant to become part of your business practices and procedures and should be reviewed and updated as it is a living document.
- At your next inspection, you will be expected to provide documentation showing how you have implemented and are complying with the requirements according to the process you created within your RBC Policy.

**After following these steps, reach out to the Fiber & Textiles Team at [fibertextile@tilth.org](mailto:fibertextile@tilth.org) if you need further assistance.**