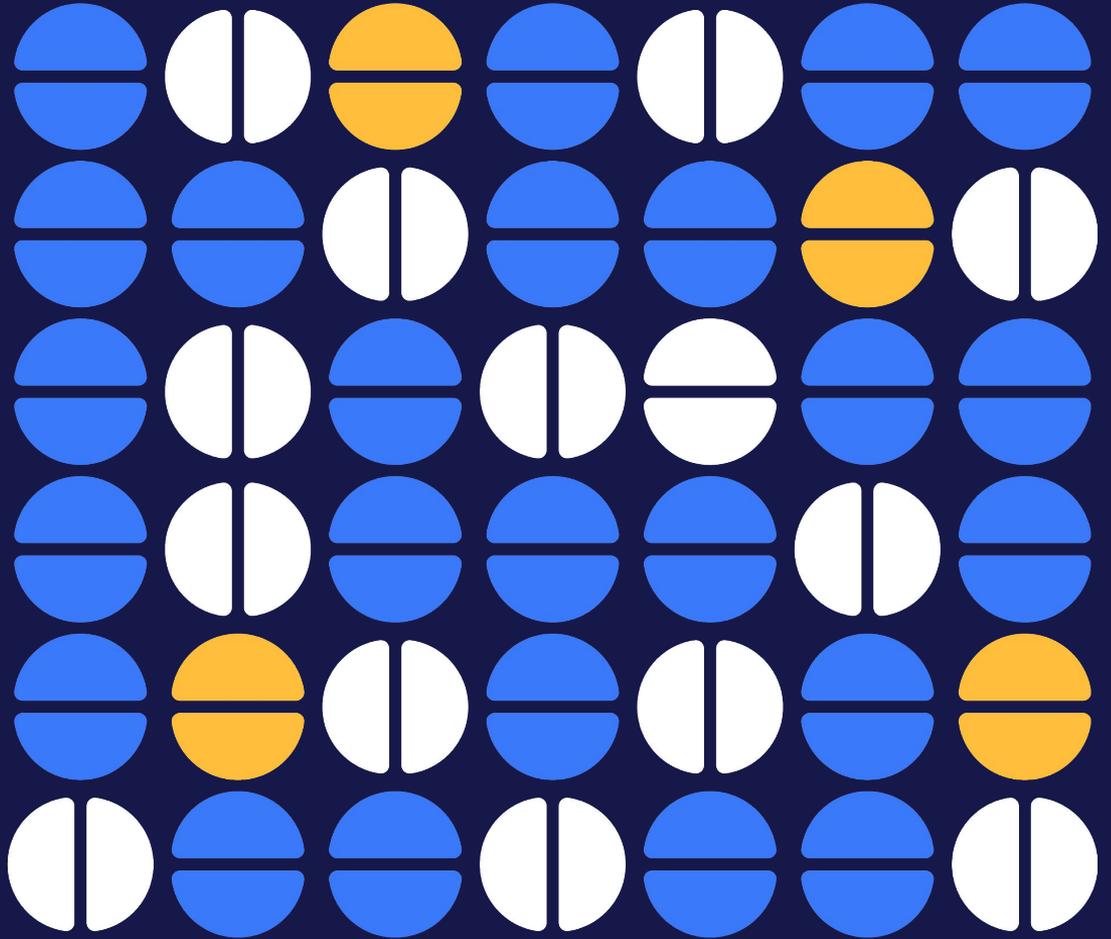


Summary Report

Higg Index Tools Analysis and Compliance Initiatives

November 2023



Vision for the Higg Index Tools in the context of legislation and compliance

The Higg Index suite of tools are designed to be sustainability performance improvement tools for different stakeholders in the value chain. While in many cases the tools support members with legislative requirements, they are always focused on encouraging members to advance their sustainability practices and performance.

The SAC offers expertise and guidance on the use of the Higg Index tools to support members' compliance efforts but does not provide legal advice for compliance.

The ultimate objective is for the Higg Index tools & programs to complement and enhance members' compliance journeys.

Background

To help members navigate the evolving regulatory landscape, Cascale has **started conducting analyses of the different Higg Index tools** in relation to relevant, existing and upcoming EU and national legislation in collaboration with partners and professional consultancies. The initial analysis considered factors such as corporate sustainability due diligence and corporate sustainability reporting and was intended to assess to what extent the Higg Index tools can assist members in their compliance efforts where appropriate.

Separately, Cascale is also collaborating with Worldly to deliver a white paper that comprehensively outlines how brands can use the Higg Index to prepare for compliance with the European Corporate Sustainability Reporting Directive (CSRD), in particular.

Purpose and limitations of the analysis

As the Higg Index tools touch upon many aspects included in the regulatory and reporting obligations, the purpose of the exercise is to **keep abreast of the latest key regulatory developments**. This helps in considering potential refinements to the Higg Index tools in the future. Relevant legislation is constantly changing, and many pieces of legislation have yet to be finalized. Hence, analysis will be conducted continuously, so the Higg Index tools meet the evolving expectations and needs of members and users.

The Higg Index tools are **periodically updated to proactively address the increasing demands raised by legislation for transparency and disclosure**. While they were not originally intended to align with regulations or support regulatory compliance, the Higg Index tools can and increasingly will provide insights and data that can support members' compliance efforts. The Higg Brand & Retail Module (BRM) stands as a good example, being well aligned with the requirements of the EU CSRD. With the final sector-specific standards expected soon, Cascale will further align the Higg BRM to the regulatory reporting requirements therein.

1

With regards to the Corporate Sustainability Due Diligence Directive (CSDDD), the assessment confirmed that **the Higg BRM was not designed as a due diligence tool, and therefore cannot be used on its own as a comprehensive due diligence tool**. However, while the Higg BRM will undoubtedly have a role to play in a due diligence process, such a process goes beyond the scope of a single self-assessment survey such as the Higg BRM.

2

Cascale will work together with our partners and key stakeholders to develop and support innovative projects such as an OECD-aligned Human Rights and Environmental Due Diligence (HREDD) framework.

Among others, we will collaborate with Worldly and Fair Wear to deliver resources and guidance to help brands and other industry stakeholders understand, navigate, and implement impactful human rights due diligence. By working together, we aim to drive industry alignment, **raise the bar for human rights and reduce negative impacts on the environment and nature across global garment supply chains**. We will also explore more formally how we can facilitate members and the industry in meeting future regulatory obligations.

3

Cascale has developed an **overview of relevant European legislation for members** that is applicable to the questions and requirements of the Higg BRM, Higg Product Module (PM) and Higg Materials Sustainability Index (MSI), Higg Facility Environmental Module (FEM) and Higg Facility Social & Labor Module (FSLM). The overview intends to map out the complex and evolving policy landscape and **support members in their compliance work with their legal teams**.

4

Cascale actively advocates and collaborates with policymakers, emphasizing the importance of ensuring that **its tools remain relevant and in line with the most current sustainability standards and legislation**. Cascale works towards ensuring that its expertise is integrated effectively into the legislative and regulatory processes - in the context of and beyond its role in facilitating the Product Environmental Footprint (PEF) Technical Secretariat for Textiles and Footwear. The Higg PM and Higg MSI particularly stand as strong opportunities for advocating this crucial alignment, e.g. in the context of the Substantiating Green Claims Directive, as well as the delegated act on textiles for the Ecodesign of Sustainable Products Regulation (ESPR).

5

Brand Tool

• Brand & Retail Module (BRM)

Cascale conducted an in-depth gap analysis of the Higg BRM questionnaire against the most salient new and existing EU transparency legislation¹ in 2023, with the support of the consulting firm BCW. The analysis has shown the Higg BRM is well aligned with the requirements of the EU CSRD as it focuses on the social and environmental impacts to be reported. With the final sector-specific standards expected soon, Cascale will further align the Higg BRM to the regulatory reporting requirements therein. As such, **the Higg BRM will be a valuable tool providing the specific guidance on what must be reported under CSRD, for apparel and footwear companies.**

With regards to CSDDD, the assessment confirmed the **Higg BRM was not designed as a due diligence tool, and therefore cannot be used, on its own, as a comprehensive due diligence tool.** However, while the Higg BRM will undoubtedly have a role to play in a due diligence process, such a process goes beyond the scope of a single self-assessment survey such as Higg BRM.

In this context, it should be pointed out that Cascale, together with Worldly and Fair Wear, aims to provide Cascale members with top-quality knowledge and tools to facilitate impactful due diligence. We will explore innovative projects such as **an OECD-aligned HREDD framework to further facilitate members in meeting future regulatory obligations**, and promote impactful HREDD implementation, including a mapping of where existing tools can be leveraged, and where new tools may be needed. Furthermore, once a political agreement is reached among the European institutions on the CSDDD, the relevant elements and legal obligations will be taken into account in any new due diligence collaboration framework. In addition, Cascale will continue to collaborate with the Social & Labor Convergence Program (SLCP) in the area of due diligence.





Facility Tools

- Higg Facility Environmental Module (FEM)
- Higg Facility Social & Labor Module (FSLM)

Cascade prepared an overview of the relevant EU legislation for members that is applicable to the questions and requirements of the Higg Index tools. Given the granularity of the Higg FEM and Higg FSLM, this document aims **to map the complex and evolving policy landscape** across the value chain, which would ultimately **assist members in their compliance work with their legal teams**. Cascade developed the Higg FEM 4.0 content, and the assessment was launched on November 2, 2023. Future gap analysis can be considered. On the Higg FSLM, Cascade closely aligns with SLCP on policy engagement and additional activities. With the recently launched SLCP HRDD Toolkit2, SLCP has recently undertaken a valuable policy analysis that Cascade endorses, and Cascade members and the wider community can leverage.





Product Tools

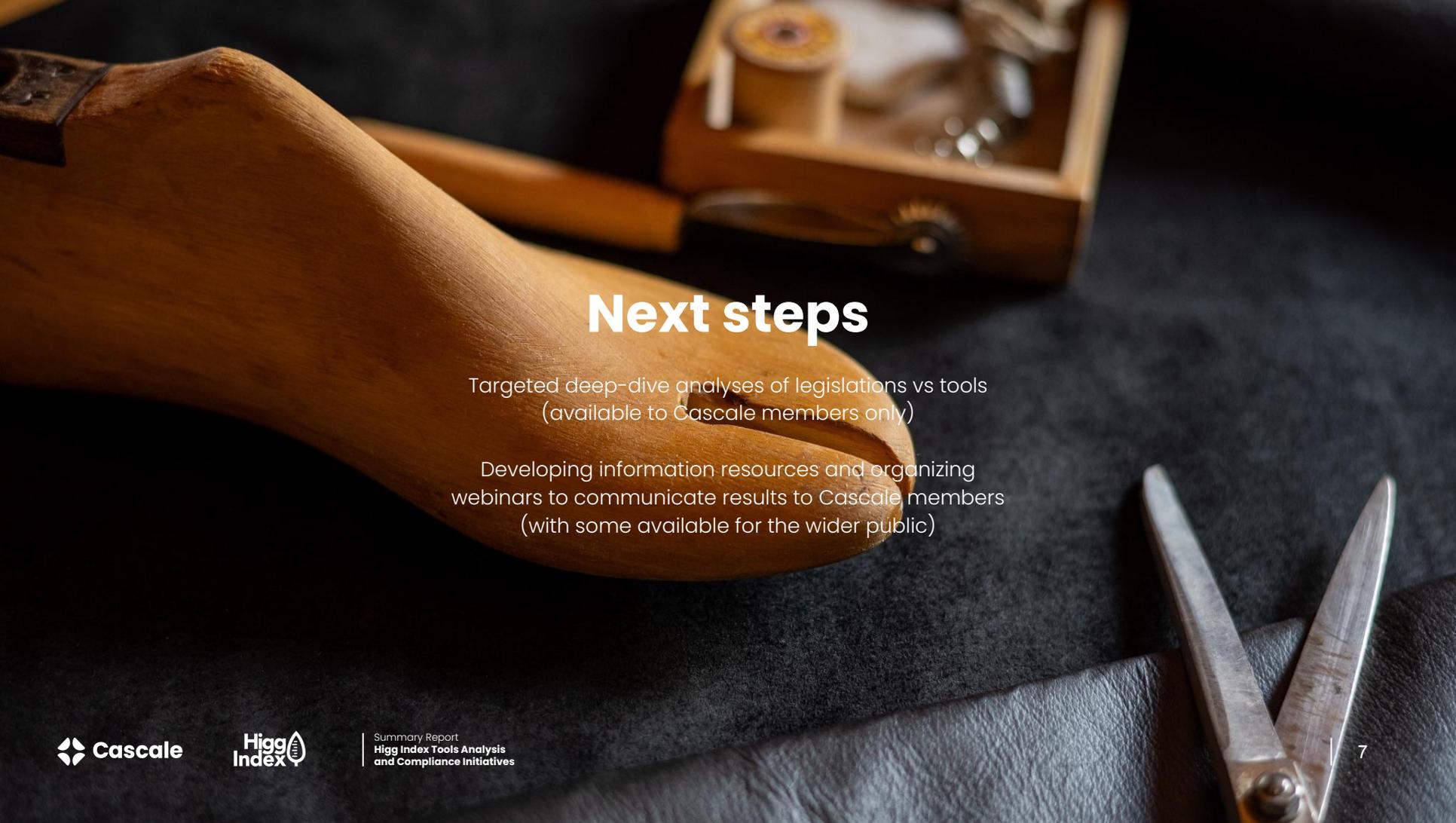
- Higg Product Module (PM)
- Higg Materials Sustainability Index (MSI)

Cascale has identified relevant upcoming national and EU product regulations that could potentially influence the Product Tools and its future updates. The Higg PM, in particular, might be impacted due to its alignment with the PEF methodology. To leverage this, Cascale is **actively engaging with and educating EU policymakers** in the context of and beyond its role in facilitating the PEF Technical Secretariat for Textiles and Footwear. Cascale will engage with the key decision-makers and shapers on the Substantiating Green Claims Directive, as well as the development of the delegated act on textiles for the ESPR. The aim is to integrate Cascale's expertise into the legislative processes. Simultaneously, Cascale will continue to advocate for the technical relevance of product environmental footprint category rules and ensure that new regulatory developments will be taken into consideration during the development and updates of the Product Tools. Especially Higg PM and Higg MSI stand as strong opportunities for advocating this crucial alignment as Cascale can ensure future full alignment between Higg PM and PEF or - if applicable - another common standardized method at the EU level in the future.

¹ Corporate Sustainability Due Diligence Directive (CSDDD), German Supply Chain Act, Corporate Sustainability Reporting Directive (CSRD), and Forced Labour Regulation.

² [SLCP launches](#) new HRDD Toolkit to support human rights due diligence implementation.





Next steps

Targeted deep-dive analyses of legislations vs tools
(available to Cascale members only)

Developing information resources and organizing
webinars to communicate results to Cascale members
(with some available for the wider public)



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