

Meeting report

Pre-Forum Session: Policy and regulatory approaches for traceability and sustainability in garment and footwear

2020 OECD Forum on Due diligence in the garment and footwear sector

10:30 – 12:30, CC16 – 11.02.2020 – OECD, Paris

I. OPENING OF THE MEETING AND UPDATE ON PROJECT PROGRESS

Maria Teresa Pisani, Economic Cooperation and Trade Division, UNECE opened the meeting by reminding the participants of its purpose which was to take stock of progress on some key project outputs and discuss the upcoming work following the project meeting at the 34th UN/CEFACT Forum (30-31 October 2019, London) and the two rounds of conference calls for the four subgroups held in December and January. The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector highlights that information asymmetry and accountability can be addressed in the industry by fostering transparency and traceability. Indeed, the UNECE's project is about developing the architecture of a single and complete traceability system that can share information related to each supply chain stage in a standardised format, to support transparency and traceability for accountability and sustainability.

Maria Teresa Pisani, Economic Cooperation and Trade Division, UNECE gave an overview of the key highlights from the Group of experts' composition. As of February 2020, **130¹** experts have engaged into the 4 project subgroups and additional **30** have expressed interest to join the subgroups. To date, the multi-stakeholder policy platform representativeness is as follows:

- **11%** of experts are International governmental/governmental organizations
- **25%** of experts are Academia / Civil society organisations / Platforms
- **32%** of experts are Service & Support organisations
- **32%** of experts are Suppliers / Producers / Retailers

Maria Teresa Pisani, UNECE reminded that the first year of the project will focus on the first and second project output which is the multi-stakeholder policy platform, the policy recommendation and the traceability standard for information exchange in the textile and leather value chains. The second and third year will focus on the pilots and capacity-building activities (project output 5). In parallel, the work for the first pilot for a blockchain solution in cotton value chains has started since January 2020.

The access to the project's documents and meeting materials is facilitated through the online [CUE space](#) by the Secretariat. The access to the CUE space is granted to the experts once they have gone through the accreditation process and been approved by their national UN/CEFACT delegation. The agenda, the presentations and the reference documents of this meeting can be found on the [CUE space](#).

Tuesday
 11.02.2020

¹ **68 experts** for the Policy Recommendation sub-group 1; **71 experts** for the Textile Traceability Standard sub-group 2; **48 experts** for the Leather Traceability Standard sub-group 3; **74 experts** for the Pilots & capacity-building sub-group 4.

II. HIGHLIGHTS FROM SPEAKERS

■ THE IDENTIFICATION OF THE STAKEHOLDERS' ECOSYSTEM AND FOCUS COUNTRIES

Reference document: The stakeholders ecosystem mapping

Libby Annat, Independent Advisor on Sustainable Business and Policy (EACS) gave an overview of the ongoing mapping exercise of the multi-stakeholder macrosystem and focus countries. The purpose of this exercise is to capture and engage accurately the key players of the industry from final product to raw materials at national, regional and global scale. The output is mapping of individual organisations and associations of each stakeholder group (drill-down exercise).

NEXT STEPS

- Once identified, critical groups will be ranked according to influence.
- The mapping of focus countries is at an early stage relying mainly on textile trade data² and needs to be further defined with the group of experts, applying a risk-based approach and identifying key textile fibers (i.e. cotton, leather, synthetics) producing countries.
- A final draft report including a set of recommendations to engage stakeholders and gather their commitments for advancing transparency and traceability of value chains in the industry will be shared by March 2020.

■ THE DRAFTING OF THE POLICY RECOMMENDATION AND REGULATION MODEL

Reference documents:

The Draft Policy Recommendation; Draft Outline of the Policy Recommendation

Virginia Cram-Martos, UN/CEFACT International Trade Procedures Domain Coordinator and CEO (Triangularity) presented the key elements of the policy recommendation and regulatory model the group of experts has been working on. The policy recommendation is structured in two parts with a Recommendation, primarily for governments, and a set of Guidelines, primarily for implementers and decision makers. The Recommendation will further emphasize how advanced technologies are an enabler for enhanced traceability and transparency and improved sustainability.

■ THE MAPPING OF SUPPORTING POLICY AND REGULATORY APPROACHES AND ANALYSIS OF IMPACTS AND LESSONS LEARNED FROM THEIR IMPLEMENTATION

Reference document: Policies and regulations for transparency and traceability mapping

Francesca Romana Rinaldi, Bocconi University, Italy laid out the key takeaways of the desk research underway from relevant policies, regulations and global guidelines for traceability, transparency and sustainability in the garment and footwear industry, and other selected industries (e.g. agri-food, fishery, mining, timber). The key highlights from the in-depth interviews evidence that governmental financial incentives are critical but so are non-financial incentives (e.g. public scrutiny and visibility). Feasibility, a common taxonomy and new technologies, are other critical enablers pointed out by experts to enhance the sustainability of garment and footwear value chains.

Q&A

- Consider traceability and transparency from a cost-saving approach throughout the value chain;
- Consider Xinjiang province in China for cotton sourcing sparking concern over labour conditions;
- Consider figures about the export and the imports of used goods.

² Largest trade volumes for exporting and importing textile countries; clothing exporting countries. Leather-specific trade data is currently pending from the group of experts.

Rudrajeet Pal, University of Borås, Sweden introduced the key elements for a traceability architecture for brands or manufacturers willing to track and trace products/parts and materials throughout the value chain. He emphasized that the traceability of the physical product and the traceability of the data were two different yet integrally dependent aspects. The most important element for a traceability architecture is the traceable asset, meaning the Traceable Resource Unit (TRU) and its granularity level decided by the actors intervening along the value chain. Beyond the traceability data mapping with different product technologies, label-based traceability can also ensure the product integrity and certification, although the multiplicity of existing sustainability certifications is a concern.

Q&A

- Consider the linkage between the chain of custody and the technical standard for traceability during the value chain and data models definition exercise;
- Consider the supporting role to be played by custom administrations to advance due diligence (e.g. U.S. Customs and Border Protection to hinder the cotton sourced in forced labour areas) and the linkage between import data and human rights due diligence for policy claims.
- Consider open source information as critical to advance human rights due diligence.
- Consider that sustainability certifications are concerning notably due to the discrepancy between social and environmental sustainability requirements (e.g. an organic cotton certification cannot guarantee labour conditions complying with international standards).
- Consider that at the certification level, harmonised sustainability requirements must have a verification level, ensure a level of trust and respect existing certification schemes.
- Consider the ongoing work of the European Commission to come up with a roadmap for the Non-Financial Reporting Directive for which an impact assessment exercise is underway (February 2020).
- Consider that Civil Society Organisations (CSOs) advocate for a mandatory due diligence and a horizontal law applying to all sectors, leaving also room for specific high-risk sectors such as garment and footwear. In order to avoid competing laws in and out of the EU region, due diligence could be consolidated at a higher level.

NEXT STEPS

- The desk and the field researches underway will be completed by early March with the drafting of two separate reports.
- The group of experts can provide input to complete the desk research and suggest to the Secretariat any expert who could be relevant for an interview.
- The outline of the draft policy recommendation is being circulated by the Secretariat to the group of experts for them to express which sections they are interested to contribute to.
- The Secretariat and project team aim at having an advanced draft of the Policy Recommendation by April 2020.

■ THE DEVELOPMENT OF THE TRACEABILITY STANDARD FOR INFORMATION EXCHANGE IN TEXTILE AND LEATHER VALUE CHAINS

Reference document: Standardisation of textile value chains

Frans van Diepen, Ministry of Finance, the Netherlands, delved into the data model and standardisation of information exchange work underway for the technical standard for traceability. The framework of information exchange must be set up to maintain the product information with a generic structure and support the exchange of the product characteristics (physical and sustainability-related), considering all actors and processes along the value chain nodes. Traceability of the information and information about the product are two different use cases.

Q&A

- Consider, as part of the traceability system, that the owner of the data exchanged will depend upon the business agreement on the supply chain between government agencies and trade partners;
- Consider data reliability as paramount for data enforcement of an acceptable standard and more trust throughout the value chain;
- Consider that data for traceability has to be processed with care in regard to compliance levels as traceability must act as a facilitator for sustainability and not become a burden;
- Consider that all the data privacy issues spurred under this project could be further discussed with the multi-stakeholder platform of experts during a dedicated workshop;
- Consider distinguishing the information coding at the factory level (i.e. the information associated with the factory) and at the product level (i.e. the product characteristics).

NEXT STEPS

- The Questionnaire/Request for of the value chain and data models will be circulated to the group of experts in order to consolidate and validate the traceability standard methodology, the use cases and interactions.

III. CONTRIBUTIONS TO THE UPCOMING MEETINGS AND EVENTS

- *35th UN/CEFACT FORUM* (27-28 April 2020, Geneva)
- *European Development Days* (9-10 June 2020, Brussels)

IV. CLOSING OF THE MEETING

Maria Teresa Pisani, Economic Cooperation and Trade Division, UNECE summarised the next steps for each of the project outputs. There will be two conference calls in February:

- subgroup 4 Pilots and capacity-building on the 26th of February at 15:30 CET
- subgroup 2 & 3 Textile and Leather technical standard for traceability on the 11th of March at 15:30 CET
- subgroup 1 Policy recommendation on the 13th of March at 15:30 CET

Maria Teresa Pisani thanked the OECD for hosting the meeting, the core's project team and the participants, both connected remotely and physically present for their interest towards the UNECE project.

The meeting participants interested to join the group of experts are kindly invited to reach out to the secretariat to receive further information about accreditation, UN/CEFACT rules of procedures, the Call for Participation and Group of Experts' ToRs detailing each of the four subgroups of work under this project.

V. ANNEXES

List of Participants

Annat	Elisabeth	Elisabeth Annat Consultancy Services
Ansari	Ahmad	ZDHC
Aurell	Ebba	European Commission DEVCO
Bauer	Bente	Sustainable Apparel Coalition
Bauer	Mauricio	National Wildlife Federation
Bertoli	Emanuele	BerBrand

Book	Luisa	H&M Group
Brennan	Vikki	Proudly made in Africa
Brunner	Cedric	OEKO-TEX
Chassot	Olivia	UNECE
Cram-Martos	Virginia	Triangularity
Di Bernardino	Claudia	Legal Projects
Di Tommaso	Simonetta	Italian Ministry of Economic Development
Drmac	Dunja	Euratex
Higgins	Peter	VF Corporation
Johnson	Jean Ellen	Goodweave
Karaosman	Hakan	Politecnico di Milano
Kashyap	Aruna	Human Rights Watch
Klomp	Cathelijne	LVMH
Ladwig	Herbert	Global Organic Textile Standards (GOTS)
Lovejoy	Ilshio	Fashion Revolution
Merckx	Jan	GS1 Belgium & Luxembourg
Negro	Sarah	H&M Group
Pal	Rudrajeet	University of Borås
Pisani	Maria Teresa	UNECE
Popescu	Stéphane	COSE 361
Rinaldi	Francesca Romana	Bocconi University
Roenland	Paul	Clean Clothes Campaign
Rubbo	Laura Chapman	The Walt Disney Co.
Saccani	Cesare	Indo Italian Chamber of Commerce / ICMQ India
Shaw	Katie	Open Apparel Registry
Singal	Vinti	Goodweave India
Stockall	Paul	International Fur Federation
van Diepen	Frans	RVO, the Netherlands
Vanpeperstraete	Ben	Freedom Fund

REMOTE CONNEXION

Albini	Stefano	Albini Group
C. Monarch	John	ShipChain
Contu	Maurizia	UNIC
Coulibaly	Lena	GS1 Global Office
Cullen	Ella	Minespider
de Sabbata	Piero	Euratex / ENEA
Dieckmann	Niki	Government, The Netherlands (RVO)
Frontini	Sabrina	ICEC
Gonzalez-Quijano	Gustavo	COTANCE
Heemskerk	Gerhard	Independent expert
Khanna	Pranav	Hecho por Nosotros
Krebbers	Merel	H&M Group
McLaughlin	Colm	University College of Dublin
Williams	Nathan	Minespider

Garment Tech Talk report:

Can blockchain advance traceability and due diligence in garment and footwear value chains?

2020 OECD Forum on Due diligence in the garment and footwear sector
14:00-14:30, Atrium –13.02.2020 – OECD, Paris

Maria Teresa Pisani, UNECE set the scene by highlighting the complexity and fragmentation of global value chains in the garment and footwear industry which make it very difficult to have data and information flowing through the supply chain. Traceability and transparency have become a key priority for advancing sustainable production and consumption patterns in line with the SDGs of the 2030 Agenda for Sustainable Development.

Actors along the value chain needs to have the same understanding of what sustainability is, and a common framework for data and information exchange. Indeed, advanced technologies, such as blockchain, and innovations such as digital markers, can enable the connection between the physical and the digital asset and ensure for instance, that the organic cotton in a shirt travels with its certificate and is exchanged among actors in a cost-effective, immutable and reliable way.

The Tech Talk convened the start-up Haelixa, the important manufacturer of fabrics Alba-Gruppe and the brand Hugo Boss to discuss about the potential of blockchain solutions to help achieving the objective of more transparent and sustainable value chains.

Michela Puddu, CEO and co-founder of Haelixa elaborated on the potential of DNA markers to bridge the gap between digital product data and physical products. They have set up in place a DNA technology to prove the product origin and integrity. The solution not only proves the origin and the authenticity of the product, but also detect the blending of the product's components, it also anchors the data to the product with a physical link to the material throughout the whole supply chain to prevent and detect false product claims. The solution was successfully tested with the Tracing Organic Cotton from Farm to Consumer pilot in India (Fashion for Good, Organic Cotton Accelerator and C&A Foundation).

Benjamin Fuchs, CEO of Alba-Gruppe a manufacturer of premium quality cotton fabrics introduced their value chain from seed to shelf and the due diligence applied all along the production. They grow GIZA 45, 96 in Damietta and GIZA 86 (cotton types) in Egypt. The non-GMO seed is provided by the Egyptian Cotton Research Institute. Its organic cultivation complies with the guidelines of the EU-Eco-regulation; it is reviewed and verified by the inspection company ECERT and by the Egyptian Ministry of Agriculture. Alba-Gruppe applies a sound due diligence on their supply chains through the combination of traceability and digitalisation for organic cotton.

Heinz Zeller, Hugo Boss and UN/CEFACT expert emphasized that a blockchain system can enable a reliable and immutable exchange of information and documents between the supply chain partners in mass markets. Smart contracts can trigger the correct supply chain visibility and automatize B2B information exchange.

Maria Teresa Pisani, UNECE drew upon the cotton blockchain pilot which is part of the UNECE project Enhancing Transparency and Traceability for Sustainable Value Chains in the Garment and Footwear Industry. The pilot was launched in January 2020 and will be implemented in 2020 by UNECE with partners from the industry (Egypt, Germany, Italy and Switzerland). The pilot aims at connecting cotton clothing to sustainability certificates by exchanging immutable information from seed to shelf thanks to a blockchain solution and digital markers.

Thursday
13.02.2020