About the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

The OECD Due Diligence Guidance establishes a common framework for due diligence for the sector in-line with the OECD Guidelines for Multinational Enterprises. The Guidance is…

- Approved by 48 governments.
- Developed in consultation with and endorsed by a multi-stakeholder advisory group of government, business, trade unions and civil society.
- Targeted towards all companies in the garment and footwear supply chain;
- Relevant for initiatives seeking to facilitate collaboration on due diligence.

**The components of due diligence**

- **Embed responsible policies**
- **Identify actual and potential harm**
- **Cease, prevent or mitigate harm**
- **Track performance**
- **Communicate**
- **Enable remediation**
Characteristics of the garment and footwear supply chain

Stages of the supply chain

- Retailers
- Brands – Product design & development
- Garment manufacturing
- Components manufacturing
- Textile/Leather manufacturing
- Raw material production (natural or man-made)

Key characteristics of the supply chain

- Short-term relationships with suppliers
- Short lead times
- Conditions are often dictated by the buyer rather than the supplier
- Companies are diverse in terms of the size and product lines
- Labour intensive sector
- Specialisation and subcontracting prevalent
- Approximately 80% of workers at garment manufacturing are women
Characteristics of the textile and leather supply chains

Stages of the supply chain

- Finished leather
- Raw hide and pre-tanned hides
- Livestock production
- Dyeing/Weaving
- Cleaning/Spinning
- Raw material production (natural or man-made)

Key characteristics: Leather
- Low or no visibility beyond the abattoir, where many upstream risks are.
- No feedback or incentive loops from leather industry (downstream) to food (upstream).
- High cost of environmental management, especially effluent treatment.
- Varied sourcing models (raw-wet blue-finished, direct sourced, via agent, auction).
- Chemical and physical stages.
- Specialisation across global supply chain.

Key characteristics: Textiles
- Each textile is different (supply chain, suitable tracking mechanism, risks)
- Prevalence of blended fabrics combining fibres from multiple locations, types.
- Wide array of industry initiatives, including mass balance and segregation traceability systems.
Section I – Core Guidance

- Practical framework for due diligence – 6 processes
- Targets companies’ operations and supply chains

Embed policies
Identify actual and potential harm
Cease, prevent or mitigate harm
Track performance
Communicate
Enable remediation

Feedback
Section II – Risk Modules

- Due diligence recommendations
- Targeted to specific risks in the garment and footwear sector

- CHILD LABOUR
- HEALTH AND SAFETY
- SEXUAL HARASSMENT
- FREEDOM OF ASSOCIATION
- WAGES
- FORCED LABOUR
- HOME-WORKERS
- HAZARDOUS CHEMICALS
- WORKING TIME
- BRIBERY AND CORRUPTION
- WATER
- GREENHOUSE GAS EMISSIONS
How can a due diligence approach transform the sector towards responsible value chains?

1. Focus on **prevention**
2. Moves **beyond tier 1**, including to sub-contractors & commodity supply chains
3. Risk based
4. Involves **workers** at every stage
5. Includes a focus on **purchasing practices**
What level of traceability and transparency is needed to support a credible and effective due diligence process?

- Identify & assess adverse impacts in operations, supply chains & business relationships
- Embed responsible business conduct into policies & management systems
- Communicate how impacts are addressed
- Track implementation & results
- Cease, prevent or mitigate adverse impacts
- Provide for or cooperate in remediation when appropriate

Traceability enables effective risk identification.

Trace and communicate = Transparency

Traceability enables effective risk identification.
Lessons learned: other sectors

Conflict minerals: ‘Whole of supply chain’ due diligence

Appendix on Artisanal and Small-Scale Mining

Choke point: Refiners

“Upstream” companies:
- Establish traceability or chain of custody to mine of origin
- For “red flagged” supply chains, undertake on-the-ground assessments of mines, producers & traders for conflict, serious abuses, bribery, tax evasion, fraud, money-laundering
- Collaborative engagement with local gov’t, civil society organisations, local business to prevent & mitigate impacts, monitor
- Carry out audits at control point

“Downstream” companies:
- Identify smelters/refiners in supply chain and check their due diligence efforts
- Collect information on upstream due diligence
- Use collective industry leverage to encourage improvement of upstream due diligence
- Publicly report on due diligence efforts annually
Lessons learned

Simplified Minerals Supply Chain

Stages of the supply chain
- Mining
  - Artisanal
  - Large scale
- Local mineral processing and trading
  → International minerals trading
  Importers/Exporters
- Smelters/Refiners
- Component manufacturers
- OEM
- Retailers

Control point

Simplified Cotton Supply Chain

Stages of the supply chain
- Farmer associations
  - Small farms
  - Large plantations
- Ginters
- Textile manufacturers
- Component manufacturers
- Garment manufacturers
- Brands
- Retailers
- Collectives/Traders/Wholesale markets
  Cotton importers/exporters
- International Traders
- Buying agents & other intermediaries

Control point?
Lessons learned: Collaboration, existing traceability initiatives & policy in the garment sector

Cotton & other textiles:
- BCI Better Cotton Initiative
- RDS Responsible Down Standard
- RWS Responsible Wool Standard
- FSC Forests For All Forever

Leather:
- LEATHER WORKING GROUP
  Improving Environmental Stewardship

Industry initiatives:
- Sustainable Apparel Coalition
- Partnership for Sustainable Textiles
- SER

Legislation:
- UK Modern Slavery Act 2015
- Assemblée Nationale

(Examples of initiatives, Not an all-inclusive list)
What is the role of stakeholders?

**Government**
- Align with international approaches and standards;
- Create an enabling environment
  - Regulating
  - Facilitating
  - Co-operating
  - Promoting
  - Exemplifying

**Business**
- Carry out due diligence
- Cooperate in effective sector-collaborations
- Promote alignment with OECD Guidance

**Trade Unions**
- Participate in:
  - On-site supplier assessments;
  - The development of corrective action plans;
  - Verification, validation & monitoring;
  - Design of operational level grievance mechanisms

**Civil Society**
- Share relevant information;
- Report instances of harm (e.g. through grievance mechanisms)
- Provide technical assistance (e.g. onsite training)
Objective
Facilitate alignment of individual company due diligence strategies and collaborative initiatives with the OECD Garment and Footwear Guidance

Online tool
- For self-assessment purposes
- Targeted to individual companies or initiatives
- Developed with potential end users – including industry– from EU, OECD and garment and footwear producing countries
- To be made publicly available online

OECD assessment
- OECD to carry out an assessment of key sector initiatives and their alignment with the Garment and Footwear Guidance
- The assessment will highlight areas of alignment as well as gaps and recommendations
- OECD assessments to be made publicly available following a review process
- Follow-up actions will include a constructive dialogue with experts and stakeholders on meeting identified gaps.

Pilot assessment taking place in 2018.
Challenges for traceability for inclusivity, engagement and impact

Challenges and recommendations:

• Identify control points for assessment in the supply chain, pertaining to the identified risks.

• Consider different supply chain differently: appropriate hardware and software for the supply chain and supply chain actors, which may differ between commodities and supply chains.

• Aligned to the global standards, such as the OECD Due Diligence Guidance.

• Affordable and accessible.

• Traceability not an incentive to de-risk (but to engage responsibly in high-risk contexts).
Find us online

https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm

Contact

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Save the date
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