

# UNECE-UN/CEFACT "Enhancing Transparency and Traceability for Sustainable Value Chains in Garment and Footwear"

## UNECE Policy Recommendation on Transparency and Traceability for Sustainable and Circular Garment and Footwear Value Chains

### *Annotated Outline*

#### Note

#### Acknowledgements

#### Foreword

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## I. Recommendation n°XX: Enhanced Transparency and Traceability for Sustainable Garment and Footwear Value Chains

### A. Introduction

1. Improving transparency and traceability has become a priority for the garment and footwear industry. It is needed in order to manage value chains more effectively, identify and address labour and human rights violations, prevent environmental impacts, combat counterfeits, protect industrial heritage, address reputational risks, and meet the increasing demand by investors and consumers for high business ethics standards.

2. Both developed countries and developing countries are highly involved in the global garment and footwear trade, and both have a key role in advancing the industry's sustainable production and consumption patterns in line with the United Nations Sustainable Development Goal 12 on Responsible Consumption and Production<sup>1</sup>.

3. At the same time, their roles tend to be differentiated. Developed countries tend to operate more in the downstream part of the value chain where there is higher capital investment and more consumer-linked activities (design, branding and retailing, consumption and product end-of-life). Developing and transition countries mainly intervene in the upstream part of the value chain where there are more labour intensive activities (farming, harvesting, ginning, spinning, dyeing, weaving, stitching, tanning, cutting and finishing). Because of the nature of their operations and their socioeconomic context, it is in these upstream manufacturing activities that sustainability hotspots are concentrated, and industry actors face most of the challenges in identifying and mitigating them. On the other hand, it is the downstream actors that often set the parameters (for example, through design or product specifications) and the financial incentives for upstream actors. As one result, effectively addressing such hotspots depends on all the links in the value chain, and the need for an active and effective engagement of downstream actors should be highlighted. They are expected—and at times, legally required—to identify and mitigate risks that might result in harm to humans or the environment throughout their entire value chain.

4. In this context, downstream actors must, increasingly, be aware of where the fibres, materials and products they work with come from, and how they are sourced and processed. At the same time, there is clear evidence that their actual capacity to perform and manage traceability activities in support of enhanced transparency about products and processes is limited. In order to be effective, optimize scale and create efficiencies, any action to improve traceability in garment and footwear value chains must be sector-wide and encompass globally scattered actors.

5. This Policy Recommendation responds to the increasing demand for policy and legislative action for appropriate due diligence along value chains. It seeks to support measurable sustainability targets and efforts to identify, prevent, mitigate and account for adverse impacts on people and the planet by corporations through their own operations or third-party business relations. This work is aligned with the UN Guiding Principles on Business and Human Rights<sup>2</sup>; the OECD Guidelines for Multinational Enterprises<sup>3</sup>, which extend beyond

<sup>1</sup> Transforming our world: the 2030 Agenda for Sustainable Development ([https://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/70/1&Lang=E](https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E) accessed on 2020-04-22)

<sup>2</sup> UNHR UN Guiding Principles on Business and Human Rights ([https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf) accessed on 2020-04-22)

<sup>3</sup> OECD Guidelines for Multination Enterprises ([www.oecd.org/daf/inv/mne/48004323.pdf](http://www.oecd.org/daf/inv/mne/48004323.pdf) accessed on 2020-04-22)

human rights to other areas of responsible business conduct, such as the environment and climate change, conflict, labour rights, disclosure and consumers interest, and the ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy<sup>4</sup>.

**Traceability**, is understood as “the ability to trace the history, application or location of an object” in a supply chain (ISO, 2015). In this context, it is defined as the ability to “identify and trace the history, application, location and distribution of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment and anti-corruption” (UN Global Compact 2014); and “the process by which enterprises track materials and products and the conditions in which they were produced through the supply chain” (OECD, 2017).

**Transparency**, relates directly to relevant information been made available to all elements of the value chain in a standardized way, which allows common understanding, accessibility, clarity and comparison (EC 2017).

**Sustainability**, in this context, is understood as the manufacturing, marketing and use of garment, footwear and accessories, and its parts and components, taking into account the environmental, health, human rights and socio-economic impacts, and their continuous improvement through all stages of the product’s life cycle (UNECE 2018).

**Due diligence** is an ongoing, proactive and reactive process through which enterprises can prevent and mitigate adverse impacts related to human rights, labour rights, environmental protection, and bribery and corruption in their own operations and in their supply chains (OECD 2017).

## B. Scope

6. This Policy Recommendation is relevant for all countries and companies participating in international garment and footwear value chains (farmers, producers, suppliers, brands, retailers and traders).

7. Areas where action to advance transparency and traceability of value chains is needed include:

- Awareness of the indispensable role of transparency and traceability in due diligence and sustainability for advancing the circularity of value chains and, especially, sustainable consumption;
- Identification and mitigation of risks of harm to actors operating throughout the entire value chain;
- Government policy and legislation, and
- Implementation of frameworks to support use by all parties who participate in the garment and footwear sector.

8. The last of these is the most difficult because it needs to support comprehensive systems for rapid and effective information exchange that better allow value-chain actors to

<sup>4</sup> ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---multi/documents/publication/wcms\\_094386.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf)

take targeted action based on risk-based priorities. At the same time, such systems need to be practical and allow for the use of appropriate technologies for implementation by facilities of varying sizes and technological capabilities, including farmers and small businesses.

9. The Policy Recommendation is complemented by guidelines for establishing a transparency and traceability mechanism. The guidelines also address how implementing countries should accommodate country-level factors such as the type and level of risk, demand for transparency and traceability, prior experience, local expertise, and capacity levels.

### **C. Target audience**

10. The principles contained in this Recommendation offer a basis for action by both public-sector policy makers and private-sector decision makers who wish to advance due diligence, sustainability, and circularity approaches. The accompanying guidelines will assist these policy and decision makers in better understanding tracking and tracing while also providing a framework for implementation by all stakeholders in garment and footwear value chains.

11. When implementing, special attention needs to be given to women and other possibly disadvantaged groups, including SMEs and local level stakeholders, who are often affected by unfair practices in this sector. With the support of Trade Unions and Civil Society Organizations they can receive targeted support in the implementation processes.

### **D. Purpose and Benefits**

12. In particular, this Recommendation responds to the call from industry stakeholders for government action in support of:

- Greater awareness by the industry and the public of the benefits provided by traceability and transparency for due diligence, sustainability and circularity;
- A level playing field where “good” actors are rewarded for taking action to support transparency and sustainability through traceability in the value chain;
- More efficient ways to access remedies for workers and consumers;
- A globally recognized approach for exchanging information about traceability;
- Semantic interoperability between systems that support traceability and transparency;
- The fight against product counterfeiting and fraud in the identification of origin and local content, including in relation to illegal wildlife trade.

13. The final objective of this Recommendation is to establish a mechanism that enables governments, industry partners and consumers to take risk informed decisions, overcome information asymmetry, achieve accountability, and anchor business models to more sustainable production and consumption patterns.

14. It will do so by providing industry actors with a set of internationally agreed practices for the harmonized collection and transmission of data for tracking and tracing materials, products and related information about their sustainability throughout the value chain. This will help to ensure the reliability of sustainability claims in the areas of human rights, labour, the environment and anti-corruption, while also allowing simplification and efficiency in terms

of costs and organizational efforts, especially for SMEs and industry actors in less advanced economies.

#### **E. Recommendation**

15. The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) of the United Nations Economic Commission for Europe (UNECE), at its twenty seventh session, agreed to recommend that Governments:

- a) Require that companies exercise due diligence with regard to their sustainability claims and be able to justify them to customers and other stakeholders;
  - b) Establish harmonized regulations that support the implementation of traceability and transparency systems in order to advance due diligence; achieve higher environmental and social sustainability and circularity in garment and footwear value chains; and create a more level playing field for companies operating in this industry;
  - c) Define achievable minimum levels of traceability data across garment and footwear value chains for supporting due diligence and transparency, in line with relevant UN/CEFACT e-business standards or the equivalent;
  - d) Provide economic and fiscal incentives (positive and negative) for establishing and implementing value-chain traceability and transparency systems;
  - e) Provide non-financial incentives, including measures to facilitate access to markets, fast-track processes, criteria for green and socially responsible public procurement, specialized managerial and workforce training, public visibility, and reporting requirements;
  - f) Support research and development on technological tools to verify products' authenticity and provenance, as well as the sustainability and circularity of production processes, and identify and scale-up innovative solutions to address these issues;
  - g) Promote pilot projects to experiment with new approaches; and create and share know how, with a view to also benefitting SMEs and industry actors in less advanced economies;
  - h) Stimulate collaborative initiatives to mitigate adverse impacts for stakeholders throughout entire value chains, and create shared value, particularly for SMEs and industry actors in less-advanced economies.
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