Enhancing transparency and traceability of sustainable and circular value chains in the garment industry

Timeframe: 2019-2022
Unit C4, Private Sector and Trade

The joint trade for development agency of the UN and the WTO
Trade-related technical support to SMEs, free-to-use web-based business solutions

United Nations Economic Commission for Europe
Norms, standards & tools for to advance sustainable and efficient value chains management

European Commission
1 December 2020
Garment value chains: the demand for sustainability, traceability and transparency

**A huge sector**
- 80 billion garment pieces
- 3 trillion € annual revenue
- 60 to 75 million people (majority women) with direct jobs

**Global, complex, and opaque value chains**
- 85% of companies have limited visibility into their supplier certifications (Bain & Company, 2020)
- Only 34% of companies track and trace their value chain and majority of these only reaches tier 1 i.e. immediate suppliers only (UNECE, 2019)
- 90% of the cotton marked as Egyptian cotton is not produced in Egypt (Cotton Egyptian Association, 2016)

**Environment, social and health risks**
- CO2 emissions from textile similar to automobile industry (Ellen MacArthur, 2020)
- 9/10 girls in garment factories earning less than a living wage (ILO, 2019)
- 20% of cotton traded comes from regions that exploit forced labor (Financial Times, 2020)
- 8% of dermatological diseases caused by chemicals in clothing (Tessile & Salute 2018)

**Consumers**
- Increasingly demand sustainable products that respect workers’ rights, the environment and that are safe especially in the EU - as shown by their purchasing patterns and consumer surveys

**Civil Society**
- Increasing number and strength of NGOs, standards organizations, and industry platforms demanding transparency, traceability, and decent work, e.g. Clean Clothes Campaign, Fashion Revolution Transparency Index, etc.

**Businesses**
- Limit negative publicity coming from accidents and non compliance
- Respond to consumer demand – “Sustainable Brand”
- Must contain costs and increase efficiencies to remain competitive in particular during current global economic downturn
- Business sector initiatives such as the Fashion Pact, Social and Labor Convergence Program, and the Initiative for Compliance and Sustainability, among others
- Legal and compliance obligations across multiple jurisdiction
Global level
- UN 2030 Agenda for Sustainable Development – UN Guiding Principles on Business and Human Rights
- UN Global Compact
- ILO Declaration on Fundamental Principles and Rights at Work and ILO Conventions on Labour Standards, Better Work
- OECD Guidelines for Multinational Enterprises - Guidelines for Due Diligence in Garment & Footwear

EU level
- Green Deal
- Circular Economy Action Plan
- Mandatory Human Rights and Environmental Due Diligence initiative
- Revision of Non-Financial Reporting Directive
- Textile Strategy
- European Parliament Resolution on the EU Flagship Initiative on the Garment Sector
- European Economic and Social Committee (EESC) Towards an EU Strategy for Sustainable Consumption

National level
- France Law on duty of vigilance by multinational companies
- The Netherlands Dutch Agreement on Sustainable Textile
- Germany preparing/implementing due diligence legislation applying to the sector
- UK Modern Slavery Act
- US Textile Product Identification Act
- Australia Modern Slavery Act
- India Indian Companies Act

How can economic operators along the supply chain implement these policies practically & effectively? Minimizing risks and costs, complying to voluntary and regulatory requirements, in particular SMEs

How can we help consumers make sure that the claims on the products they buy are true?

And how can we help as public institutions?
Enhancing transparency and traceability in the garment industry

**Traceability system**

Multi-stakeholder policy platform to design policy approaches and standards to support the private sector in due diligence, through traceability of sustainable and circular value chains.

**Audit sharing platform & processes**

Development and implementation of online set of social/labour data assessment and sharing solutions - driving harmonization, saving costs, and increasing transparency in supply chains.

**Enabling positive change in corporate practices**

Filling market gaps and supporting SMEs to set a new precedent for the industry and accelerate the sustainability of value chains at a global level.

**Enabling the implementation of EU policy**

Leveraging a modest and targeted contribution.
A multi-stakeholder effort

Policy recommendation
100 experts

Textile Traceability Standard
93 experts

Leather Traceability Standard
65 experts

Pilots & capacity-building
123 experts

As of Sept 2020,

190,000+ Companies represented

340+ Experts in the wider network
The traceability system

01. Multi-stakeholder policy platform, Policy Recommendation and Call to Action

02. Traceability standard and Implementation Guidelines

03. Blockchain pilot solutions for specific fibers and materials (cotton/leather/synthetic/wool&cashmere)

STAKEHOLDERS ECOSYSTEM MAPPING
POLICY/LEGAL REVIEW & FIELD RESEARCH
BUSINESS PROCESS ANALYSIS
DATA MODEL DEVELOPMENT
BLOCKCHAIN SOLUTION DESIGN & IMPLEMENTATION

Public Review Ongoing (Oct-Dec 2020)
What we trace and assess

From raw material production, through manufacturing and branding, to consumption and post-consumption

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<th>Health</th>
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Data component
- Characteristic
  - Requirement
  - Value
  - Observation
  - Actual Value
  - Evaluation Criteria
    - Degree of fulfilment
Cotton blockchain project

**Who:** UNECE-UN/CEFACT & Partners

- 22 pilot experts
- 4 brands
- 4 manufacturers/1 farmers’ association
- 4 certification bodies
- 2 academia/think tank
- 1 DNA tracer

**Where:** 5 Countries (Germany, Switzerland, Italy, Egypt, UK)

**What:** enhances the traceability and due diligence in the cotton value chain – from farmer to consumer

**How:** through the implementation of blockchain technology & DNA markers
Cotton blockchain pilot

The Pilot Project – The blockchain pilot’s main deliverables

1. Proof of Concept (PoC) for a transparency and traceability blockchain-based system
2. Solution to disclose sustainability claims of all supply chain partners for textile and leather products
3. Brands, manufacturers, farmers and certifiers to test a blockchain-based system

1. POLICY RECOMMENDATION
   - Framework
   - Guidelines
   - Action Plan

2. TEXTILE TRACEABILITY STANDARD
   - Business Process Description
   - Activity Diagrams
   - Business Requirements Specifications
   - Data Model

3. LEATHER TRACEABILITY STANDARD

4. BLOCKCHAIN PILOT & CAPACITY BUILDING

STAKEHOLDERS QUESTIONNAIRE
SCOPE DEFINITION
USER STORIES & “FIL ROUGE”
SUSTAINABILITY CLAIMS
BUSINESS & TECHNICAL REQUIREMENTS
LEGAL VALIDATION
SOLUTION DESIGN

Pilot Concept to be implemented
Cotton blockchain pilot

The Pilot Project – Organization
Different Roles to contribute to the pilot project

1. RAW MATERIAL SUPPLIER
   1. Planting and cultivation of cotton
   2. Cotton harvest identification & transfer from farmer to ginner
   3. Ginning & transfer to spinner
   4. Spinning & transfer to dyer, bleacher, washer
   5. Dyeing, bleaching, washing & transfer to weaver
   6. Weaving & transfer to fabric finisher
   7. Fabric finishing, other treatments & transfer to manufacturer
   8. Garment or product production & transfer to enoblement
   9. Product Enoblement & packaging and transfer to retailer
10. Placement of product in stores or on-line for sale
11. Consumption and disposal
12. Post consumption recycling

2. MANUFACTURER
   8. Garment or product production & transfer to enoblement
   5. Product Enoblement & packaging and transfer to retailer

3. BRAND
   5. Product Enoblement & packaging and transfer to retailer
   10. Placement of product in stores or on-line for sale

4. RETAILER
   10. Placement of product in stores or on-line for sale
   11. Consumption and disposal

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Audit sharing platform

- Web-based, customized, open self-assessment and verified data sharing solutions for textile and apparel value chain stakeholders
- Neutral and secure data holder without a profit motive that would discourage adoption by different companies
- Support to SMEs to help them overcome implementation barriers and improve working standards
Pre-competitive consortium of 223 signatories, including manufacturers associations and many of the largest fashion brands.

The SLCP system avoids audit duplications by providing a converged S&L assessment framework to be used by all participating stakeholders.

Converged Assessment Framework (CAF): data collection tool and robust verification, co-developed with ILO Better Work.

Nearly 10 million EUR in savings projected for garment facilities by 2021 that can be redirected towards the improvement of social and labour conditions.

“H&M believes SLCP is the solution to a long-standing problem in the apparel and footwear sector, that of duplicative social audits that are a drain on resources and cause audit fatigue. SLCP can help the industry move beyond compliance to real collaboration and the improvement of working conditions with more fact-based data which is measured across the industry. For this reason, H&M has committed to fully adopting SLCP where possible within our supply chain by 2022.”
Social and Labor Convergence Program

Manufacturer-driven assessment and sharing process

1. Data collection: Facility self-assessment

2. Verification: External check on accuracy and completeness

3. Sharing of verified social/labour data to all buyers

4. Data analysis, scoring, translation to standard done by “Accredited Hosts”

Certified Verifiers
Maintaining high standards for facility data verification

SLCP Gateway
International Trade Centre

Brand X  Manufacturer  Standard Holder  Brand Y  Brand Z
What this brings

A game-changer in textiles and garments

- Development impact to support thousands of SMEs to improve their working conditions, impacting millions of, mostly female, textile sector employees

Clarifying complex supply chains

- Transparency and traceability tools for businesses to substantiate claims in a cost-effective way

Supporting policy objectives

- Enabling the practical implementation of sustainability objectives through global value chains
  - Enabling positive change
    - Adoption by brands globally

Helping consumers trust the claims made for the products they buy

- Competitive advantage to brands that invest in sustainable production

Demand driven and inclusive

- Active involvement of business organizations and companies to drive change
- Open and inclusive - businesses & business organisations, NGOs, Academics, technological providers, data intermediaries, international organisations, etc.

Effective and innovative solutions

- Leveraging a small 4 million EUR investment to support thousands of brands and small manufacturers to help themselves implement better practices
- Supporting technologically innovative solutions (open data platforms, block chain, DNA markers)
Thank You!
Questions?

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