Transparency and Traceability for Sustainable Value Chains

Accelerating action for sustainability in the Garment and Footwear Industry

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A global scenario

Garment and Footwear Value Chains

- **GLOBAL**
  - Global Value Chains: Main feature in international trade
  - Lengthy lead-times
  - Driven by big retailers and traders

- **COMPLEX**
  - Multi-stakeholder
  - First stage of value added manufacturing for many low income countries
  - Small and scattered production facilities
  - Short product lifecycles
  - Minimum production quantities

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**THE INDUSTRY IN NUMBERS**

80 bln garment pieces
More that 60 mln direct jobs
50% MSMs

*Source: GFA, BCG, EU, 2017*
Impacts and risks

Textile and Leather Value Chains

- 10% of substances of concern to human **health**
- 25% of **chemicals** applied in T&L industry
- 8% of **skin deseases** caused by textile and footwear (a key H&S issue in tanneries)

### Environmental

- 79 mln m³/year of **water** Consumption
- 1,715 mln tons/year **CO2** emissions
- 92 mln tons produced **waste**
- 20% only **recycled**

### Social

- Minimum **wage ½** of living wage
- 5.6 injured per 100 workers/year
- 87% non compliance with minimum wage for **women** in certain countries

### Health

- 8% of skin deseases caused by textile and footwear (a key H&S issue in tanneries)

For sustainable value chains

Global and regional initiatives

Guiding Principles on Business and Human Rights

Due Diligence Guidelines for Multinational Enterprises
CEO’s Agenda of Priorities to advance Sustainability

Sustainable Value Chains

THREE CORE PRIORITIES FOR IMMEDIATE IMPLEMENTATION

1. Supply Chain Traceability
   - Trace first and last two suppliers

2. Efficient Use of Water, Energy, and Chemicals
   - Implement water, energy, and chemicals efficiency programs in processing stages

3. Respectful and Secure Work Environments
   - Uphold standards for the respect of universal human rights for all people employed along the value chain

FOUR TRANSFORMATIONAL PRIORITIES FOR FUNDAMENTAL CHANGE

1. Sustainable Material Mix
   - Reduce the negative effects of existing fibers and develop new, more sustainable fibers

2. Closed-Loop Fashion System
   - Design products and invent novel collection and recycling systems that enable the reuse and recycling of post-consumer textiles at scale

3. Promotion of Better Wage Systems
   - Collaborate with industry stakeholders to explore opportunities to develop and implement better wage systems

4. Fourth Industrial Revolution
   - Embrace the opportunities in the digitization of the value chain and engage with other brands, manufacturers, and governments to prepare for disruptive impact and the transition of workflows

Source: Boston Consulting Group & Danish Fashion Institute - Pulse of the Fashion Industry 2018
Engaging with the business sector

Source: UNECE Survey 2018
The Survey

The UN/CEFACT Initiative
Focus on Transparency and Traceability

100+ Respondents

From all over the world
Representing both the textile and leather industry
Covering the entire value chain

Tier 1: Final product manufacturing and assembly
Tier 2: Material manufacturing
Tier 3: Raw material processing
Tier 4: Agriculture, farming and extraction

Size in n° employees

- Micro 15%
- Small 26%
- Medium 38%
- Large 22%

Industry share

- Textile, 63%
- Leather, 22%
- Both, 5%

UNECE
The Survey

The UN/CEFACT Project

Focus on Transparency and Traceability

Source: UNECE Survey 2018
The UN/CEFACT Project

Why Transparency and Traceability?

A priority for the industry

Source: UNECE Survey 2018
The UN/CEFACT Project

Why Transparency and Traceability?

Possible policy approaches

- R&D support: 54%
- Fiscal incentives: 64%
- Regulation: 75%
- Skills development: 61%
- Trade agreements: 34%
- Promotional support: 27%
- Voluntary standards: 27%

Source: UNECE Survey 2018
The UN/CEFACT Project

Why Transparency and Traceability?

Key elements of a robust traceability scheme

<table>
<thead>
<tr>
<th>Element</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>15.25%</td>
</tr>
<tr>
<td>Transport</td>
<td>32.20%</td>
</tr>
<tr>
<td>Responsible party</td>
<td>37.29%</td>
</tr>
<tr>
<td>Cost</td>
<td>47.46%</td>
</tr>
<tr>
<td>Sustainability Requirements</td>
<td>55.93%</td>
</tr>
<tr>
<td>Processing Step</td>
<td>57.63%</td>
</tr>
<tr>
<td>Raw Material/Product</td>
<td>77.97%</td>
</tr>
<tr>
<td>Country of Origin of the main components/product</td>
<td>81.36%</td>
</tr>
</tbody>
</table>

Quote: “In order to have a robust system, the necessary information should be complete and must be 1. obligatory by law, 2. certified by an internationally recognized certification system and supported by strict testing systems, 3. ensure product sustainability, and 4. should be easy to implement across a large supply base.”
The UN/CEFACT Project

Why Transparency and Traceability?

Does the industry **track and trace** its value chain?

And if so, until which **tier**?
The Project

How to enhance transparency and traceability?

POLICY RECOMMENDATION & DIALOGUE PLATFORM

TRACEABILITY STANDARD AND IMPLEMENTATION GUIDELINES

PILOTING AND CAPACITY BUILDING

Previous experiences and publications
Project Governance

Next Steps

- Survey Questionnaire on Traceability for all relevant business partners
- Call for Interest and establishment of Groups of Experts by Project Component
- Project meetings at OECD Due Diligence Forum on 12-14 February (Paris)
- Experts Groups meetings at UN/CEFACT Forum on 5 April (Geneva)
A multi-stakeholder initiative

Thank you!

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