DUE DILIGENCE GUIDANCE FOR RESPONSIBLE SUPPLY CHAINS IN THE GARMENT AND FOOTWEAR SECTOR

November 2017
The OECD Guidelines for Multinational Enterprises set expectations for RBC

A comprehensive set of government-backed recommendations on responsible business conduct.

- Disclosure
- Human Rights
- Employment & Industrial Relations
- Environment
- Combating bribery, bribe solicitation and extortion
- Consumer interests
- Science & Technology
- Competition
- Taxation

48 Adherents representing

62% of FDI Global Inflows

82% of FDI Global Outflows
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
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
Why is a harmonized approach to due diligence necessary?

We are seeing increased attention to Responsible Business Conduct (RBC) in global agendas and specifically, increased expectations on companies to address environmental, human rights and labour risks in their supply chains.

International standards

Global agendas

Legislation

Trade agreements

International investment agreements increasingly include language on sustainable development or responsible business conduct.
Characteristics of the garment and footwear supply chain

Stages of the supply chain

- Retailers
- Brands – Product design & development
- Garment manufacturing
- Components manufacturing
- Textile 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
- Approximately 80% of workers at garment manufacturing are women
How can a due diligence approach transform the sector towards decent work?

1. Focus on **prevention**
2. Moves **beyond tier 1**, including to sub-contractors
3. Risk based
4. Involves **workers** at every stage
5. Includes a focus on **purchasing practices**
OECD Implementation Plan

1. Increase **awareness** amongst government, workers and civil society on the recommendations regarding supply chain due diligence in the OECD Guidance

2. **Boost industry capacity** to carry-out supply chain due diligence in the sector, including small- and medium-sized enterprises, in-line with OECD Guidance

3. **Support alignment** of multi-stakeholder textile, garment and footwear initiatives and industry initiatives with the OECD Guidance

4. Identify and **fill knowledge gaps** to drive implementation of supply chain due diligence.
ONLINE TOOLS

2017 - 2018

Webinars
Targeted to government, business, trade unions & civil society

Brochure
Short summary explaining the due diligence guidance
► Available here

Translation of the Guidance
French, Chinese, Khmer in 2017
Partners may also translate the Guidance

FAQ
Frequently asked questions

Tailored PowerPoints
Targeted to government, business, trade unions, civil society
**Roundtable on Due Diligence in the garment and footwear sector**

- Assess progress on implementing due diligence globally
- Address emerging risks in the sector
- Share learnings on implementing due diligence

**2017 Roundtable Participation**

300 + participants
40 + countries

- Business 42%
- Government 22%
- NGO 17%
- Trade Unions 7%
- Academia 4%
- MSL 8%

**Multi-stakeholder workshops**

- Training on due diligence
- Focused on specific due diligence processes or sub-sectors of the supply chain
- In producing countries or OECD member countries

**Policy makers workshops**

- Open to policy makers
- Discuss policy tools to promote due diligence in the sector

**Save the date**
30 – 31 January 2018
## Objectives:
- Increase awareness and understanding of OECD due diligence guidance,
- Provide recommendation on creating an enabling environment for due diligence,
- Support alignment of initiatives or national standards with OECD Guidance.

<table>
<thead>
<tr>
<th>Awareness &amp; Capacity Building</th>
<th>Research and recommendations</th>
<th>Technical advice to governments</th>
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<tbody>
<tr>
<td>Co-hosted roundtables on due diligence</td>
<td>Review policy framework and identify opportunities to promote and facilitate due diligence</td>
<td>Alignment of national standards or initiatives with OECD due diligence guidance (E.g. development of country specific due diligence guidance aligned with OECD)</td>
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<td>Workshops on due diligence processes (e.g. traceability) or issues (e.g. purchasing practices)</td>
<td>Identify sector constraints to trade and investment and provide recommendations</td>
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<td>Identify existing initiatives to be leveraged to support due diligence</td>
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Alignment assessment

**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, OCDE 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.
The OECD will carry out research to understand the organisation and sourcing practices of SMEs operating in or from OECD countries in order to better provide targeted due diligence recommendations to SMEs based on the OECD Guidance.

**Background research on SMEs**
- Desktop research
- Focus on OECD countries

**Data collection**
- Online survey
- Telephone interviews
- Focus group discussion

**Data analysis**

**Report publication**
- Findings and recommendations

**Composition of EU companies in the sector**

- Micro enterprises: 86%
- Small enterprises: 10%
- Medium-sized enterprises: 3%
- Large enterprises: <1%

*Source: EURATEX: EU Textile & Fashion Industry: Facts & Figures*
The OECD will carry out feasibility studies to identify how best to enable companies and governments to direct resources and investments to high-priority risks and effective solutions in the sector.

Feasibility studies

Studies will examine the feasibility of the OECD contributing to the following:

- Mapping trade flows of key commodities in the sector to facilitate upstream visibility in the supply chain
- Mapping of labour, human rights, environmental, corruption and bribery risks linked to key production processes in specific countries or regions
- Assessment of the effectiveness of corrective action measures

Source: Compare your country: OECD-FAO Agricultural Outlook
What is the role of stakeholders?

<table>
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<tr>
<th>Government</th>
<th>Business</th>
<th>Trade Unions</th>
<th>Civil Society</th>
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<tr>
<td>Align with international</td>
<td>Carry out due diligence</td>
<td>Participate in:</td>
<td>Share relevant information;</td>
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<td>approaches and standards;</td>
<td>Cooperate in effective sector-collaborations</td>
<td>On-site supplier assessments;</td>
<td>Report instances of harm (e.g. through grievance mechanisms)</td>
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<td>Create an enabling environment</td>
<td>Promote alignment with OECD Guidance</td>
<td>The development of corrective action</td>
<td>Provide technical assistance (e.g. onsite training)</td>
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<td>• Regulating</td>
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<td>plans;</td>
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<td>• Facilitating</td>
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<td>Verification, validation &amp; monitoring;</td>
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<td>• Co-operating</td>
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<td>Design of operational level grievance</td>
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<td>• Promoting</td>
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<td>• Exemplifying</td>
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Participate in:
- On-site supplier assessments;
- The development of corrective action plans;
- Verification, validation & monitoring;
- Design of operational level grievance mechanisms

• Share relevant information;
• Report instances of harm (e.g. through grievance mechanisms)
Find us online

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

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