



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

April 2018



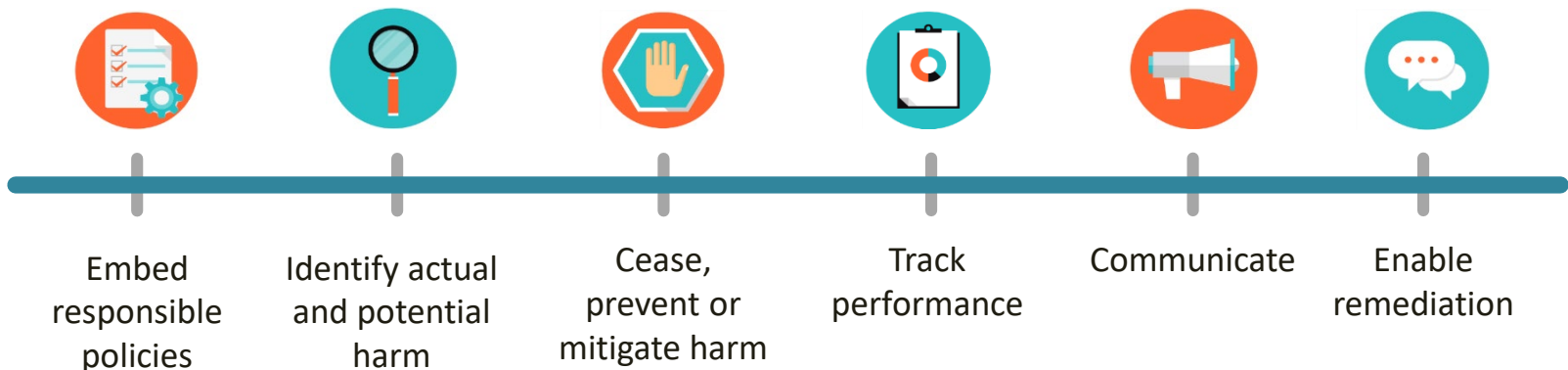


# About the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

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.

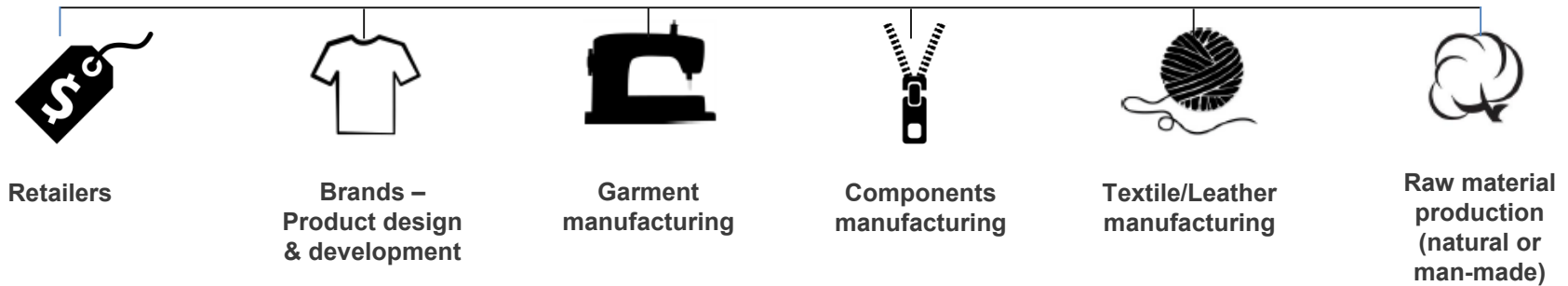
## The components of due diligence





# Characteristics of the garment and footwear supply chain

## Stages of the supply chain



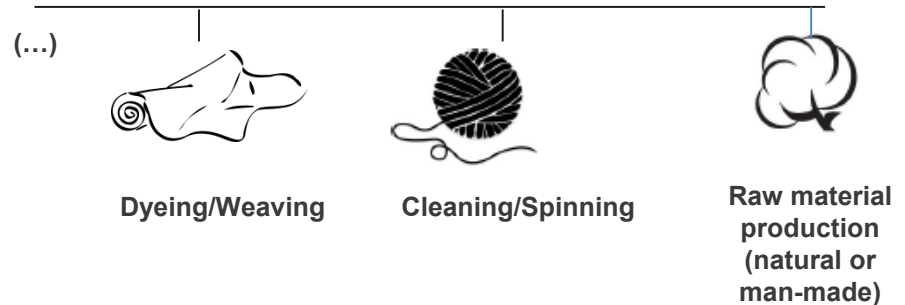
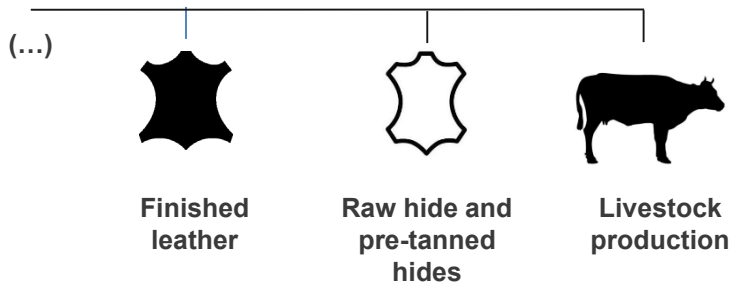
## Key characteristics of the supply chain

- 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



### 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.
- Range of sourcing descriptions.
- Chemical and physical stages.
- Specialisation across global supply chain.

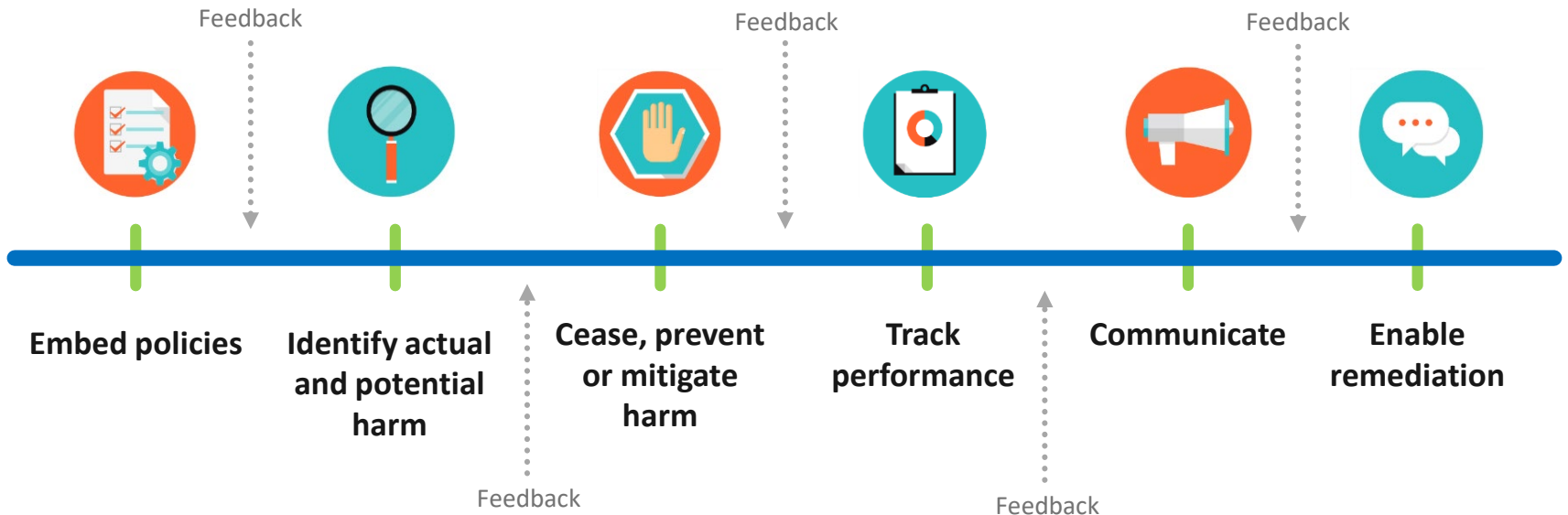
### Key characteristics : Textiles

- Each textile is different (supply chain, suitable tracking mechanism, risks)
- Fabrics combine 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





## Section II – Risk Modules

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



CHILD  
LABOUR



HEALTH  
AND SAFETY



SEXUAL  
HARASSEMENT



FREEDOM OF  
ASSOCIATION



WAGES



FORCED  
LABOUR



HOME-  
WORKERS



HAZARDOUS  
CHEMICALS



WORKING  
TIME



BRIBERY AND  
CORRUPTION



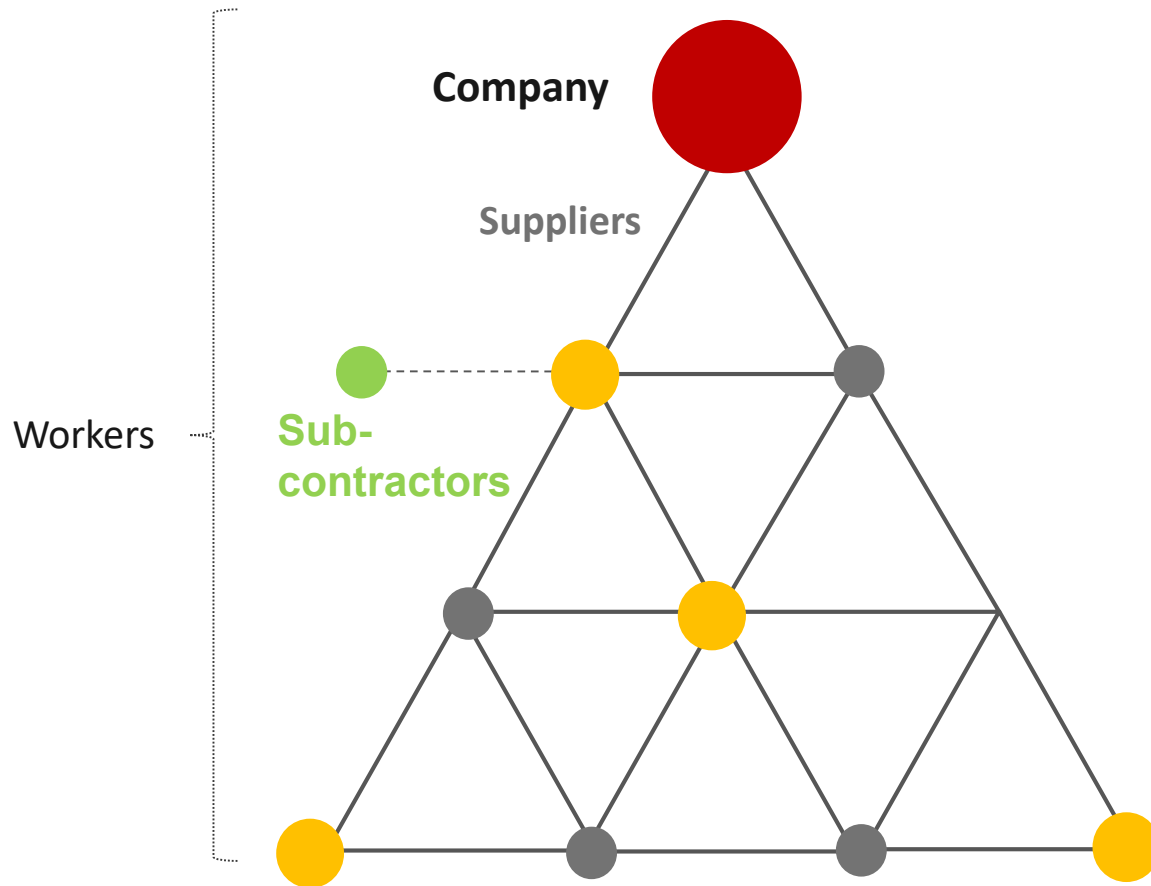
WATER



GREENHOUSE  
GAS EMISSIONS



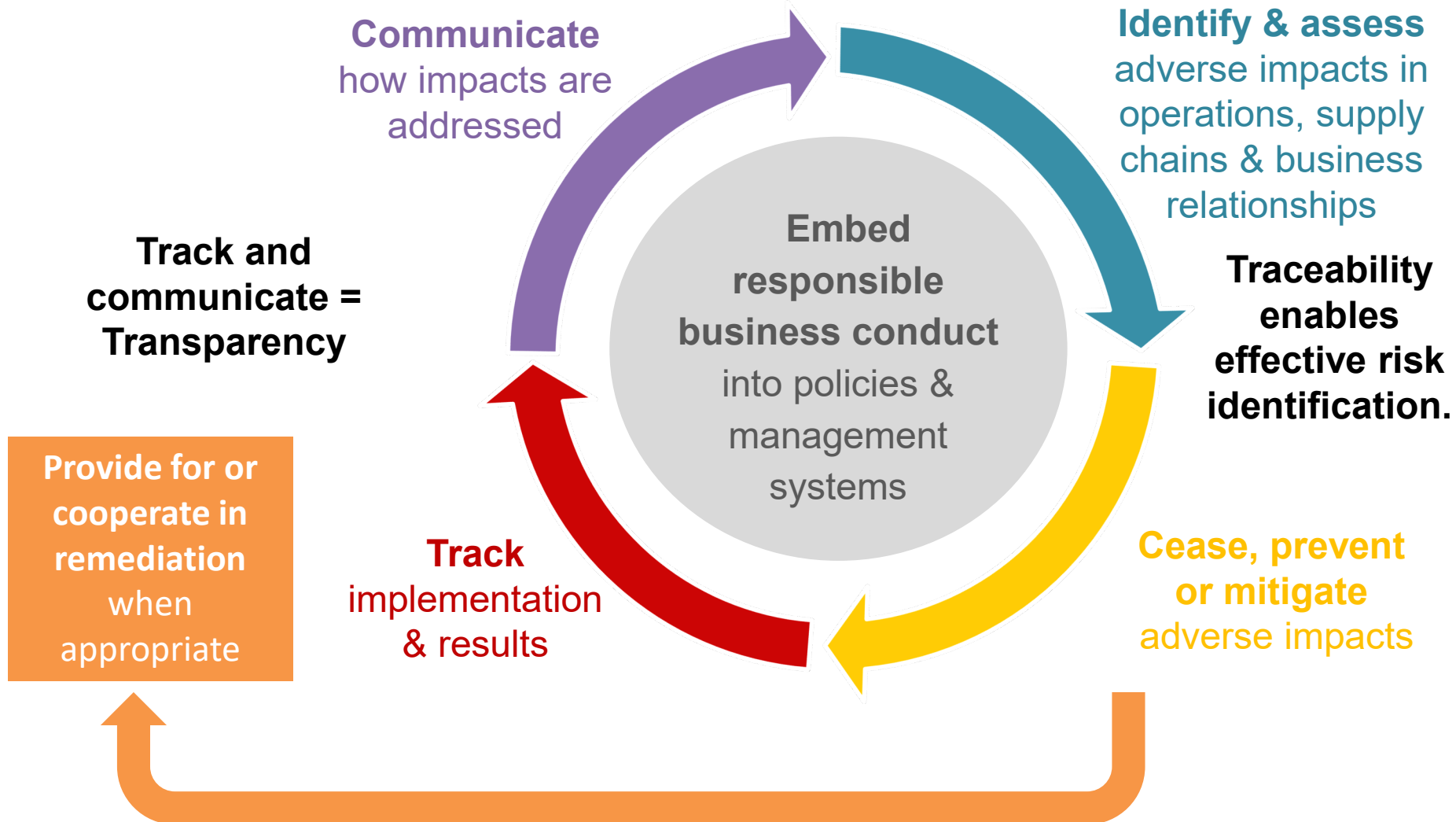
# How can a due diligence approach transform the sector towards responsible value chains?



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?





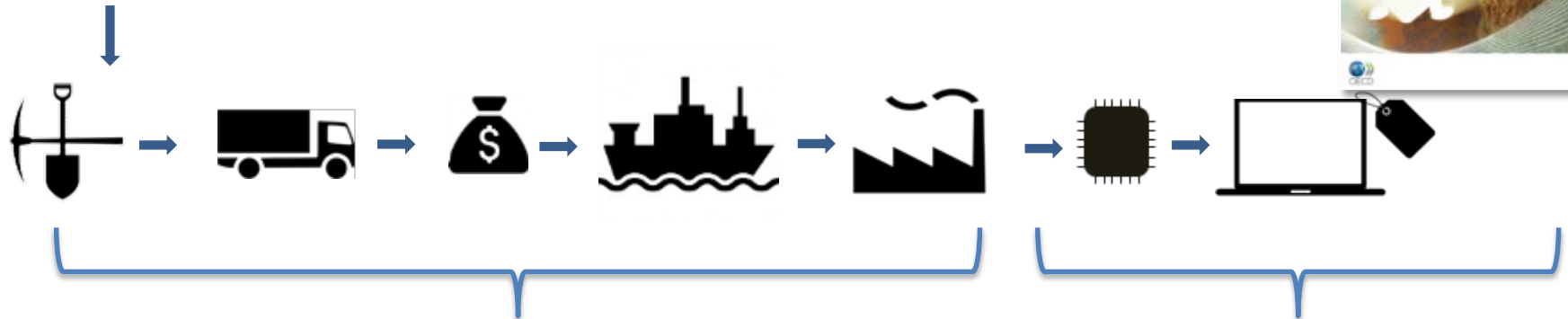


## Lessons learned: other sectors

### 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

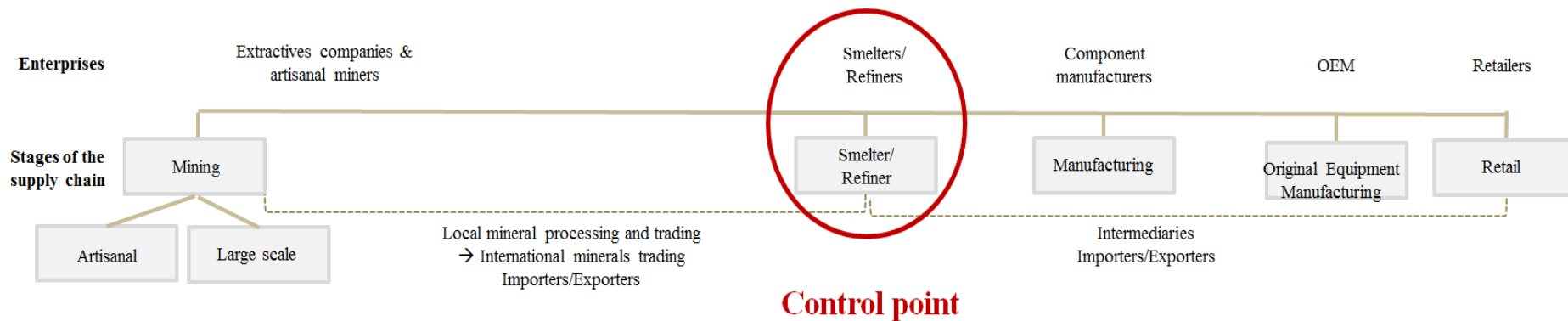
#### “Downstream” companies:

- ✓ 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

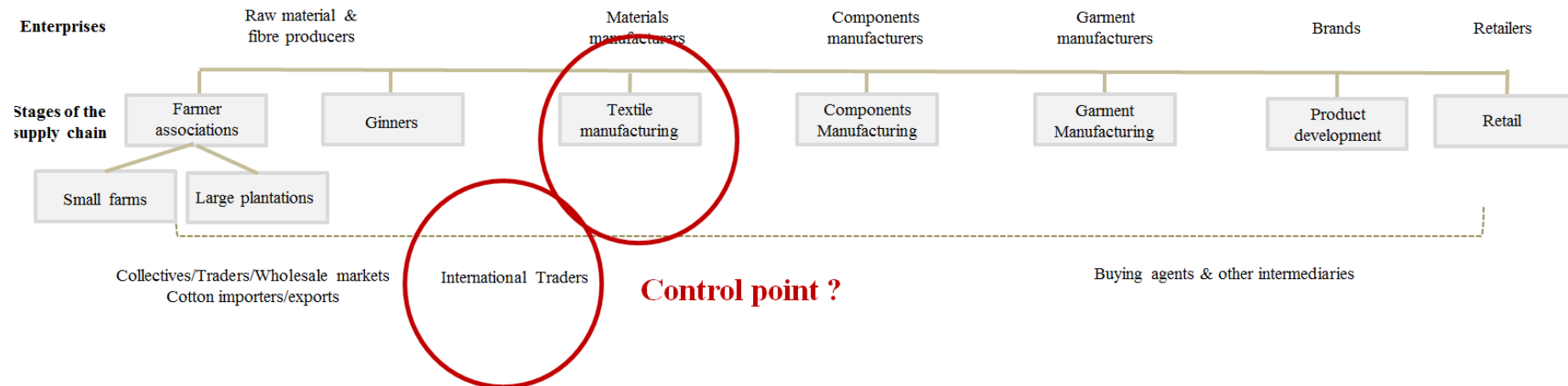


# Lessons learned

## Simplified Minerals Supply Chain



## Simplified Cotton Supply Chain





# Lessons learned: Collaboration, existing traceability initiatives & policy in the garment sector

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## Cotton & other textiles:



## Leather:



## Industry initiatives:



## Legislation:





# 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)



# Alignment assessment

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## 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 carryout 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.

Find the alignment assessment tool at:

<http://mneguidelines.oecd.org/alignment-assessment-due-diligence-garment-footwear.htm>

Pilot assessment taking place in 2018.

OECD Minerals alignment assessment report: <http://mneguidelines.oecd.org/industry-initiatives-alignment-assessment.htm>



# Challenges for traceability for inclusivity, engagement and impact

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## **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](https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm)

## Contact

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Save the date

OECD Global Forum  
20 – 21 June 2018

