KEY FINDINGS:
Relevant regulations, policies and experts’ in depth interviews

Multi-Stakeholder Policy Dialogue: Accelerating action for Sustainable and Circular Value Chains in Garment & Footwear

Francesca Romana Rinaldi, Bocconi University
Claudia Di Bernardino, Lawyer
27 I 04 I 2020, WebEx-teleconference
CONTENTS

1. Methodology for the exercise
2. Issues from Desk research
3. Highlights from Field research
4. Takeaways from Desk and Field research
5. Next steps

Annex: Mapping of supporting policies, regulations and legislation for the Policy Recommendation
1. Methodology for the exercise

a) Desk research: mapping of the policies, regulations and guidelines for transparency and traceability

<table>
<thead>
<tr>
<th>Activity</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapping of policies, regulations and global guidelines for transparency</td>
<td>Ongoing</td>
</tr>
<tr>
<td>and traceability</td>
<td></td>
</tr>
<tr>
<td>Drafting of the complete Report and Policy Note</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

b) Field research: in-depth interviews with experts

<table>
<thead>
<tr>
<th>Activity</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defining key questions for the interviews with experts</td>
<td>Completed, thank you for your support</td>
</tr>
<tr>
<td>Carrying out interviews</td>
<td>To be completed very soon</td>
</tr>
<tr>
<td>Drafting of the complete Report</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
2. Issues from Desk research

Desk research in depth methodology: mapping of the Policies, Regulations and Guidelines for transparency and traceability

81 Policies, Regulations and Guidelines Mapped

Geographical Areas Considered

- America (16)
- Asia (6)
- Oceania (1)
- Global (4)

Industries considered

- Cross-industry (52)
- Garment and Footwear (12)
- Agri-Food (7)
- Fishery (4)
- Timber (3)
- Minerals (3)
2. Issues from Desk research
Desk research in depth methodology: mapping of the Policies, Regulations, Guidelines for transparency and traceability

<table>
<thead>
<tr>
<th>CROSS-INDUSTRY</th>
<th>GARMENT AND FOOTWEAR</th>
<th>AGRI-FOOD</th>
<th>FISHERY PRODUCTS</th>
<th>TIMBER</th>
<th>MINERALS</th>
</tr>
</thead>
</table>

TABLE
1. Title
2. Description
3. Provisions and contents relating to transparency and traceability
4. Source
5. Notes

**Mapping of supporting policies, regulations and legislation for the Policy Recommendation (draft April 2020)**
2. Issues from Desk research
3. Highlights from Field research

In depth methodology for in-depth interviews with experts

- Interviews carried out from February-April 2020 - 45 minutes
- 35 Multi-stakeholder in-depth interviews
- Garment and footwear experts
- Other industries experts
- 2 versions
- 27 questions
- 4 sections
- Vision, regulatory objectives, needs and expectations
- Accountability, distribution of costs and role of technology
- Standardisation of reporting methods and role of certification
- Identification of best practices, lessons learned and final suggestions
- Reflected in the Policy Recommendation
- Input
3. Highlights from Field research

Q3 What is the value of a traceability and transparency system to the supply chain stakeholders you work with?

- Brands/Retailers
- Consumers/Citizens
- Suppliers/Trade Unions/NGOs
- Governments
Q5 Which incentives should be put in place in order to implement a traceability system?

- Financial incentives
- Public visibility (B2B and B2C)
- Green and Responsible Public Procurement
- Technical Support, including training and education
- Faster custom clearance
- A premium paid to traceable raw material suppliers
- Funding feasibility studies
- IT investments and technology transfer
- Availability of User-friendly interface tools
- Development and promotion of open source technologies

**RELENTANT QUOTES**

"Farmers in particular are being marginalized...financial incentives such as subsidies, fiscal incentives, loan guarantee etc...is needed."

"The key measures to be put in place in terms of technical assistance/capacity-building of all industry stakeholders in developing countries include technology transfer, innovation, research, training and skills enhancements."
3. Highlights from Field research

Q8 Who should be held accountable when there is a lack of traceability and transparency?

**Brands and retailers** bear a greater responsibility (most power, influence and resources to manage the risks).

**Governments (Legislation and Enforcement)**
- Enforce regulatory systems to create a level playing field.
- Supra-national level / IGOs / IOs: align efforts and schemes around a regulation for traceability and transparency.
- Legislation should enable accountability and put in place remedy mechanisms / mediation actors e.g. NCPs.

**Shared Accountability**
- The final product manufacturer and seller / final supplier / importer / retailers.
- Developing “beyond transactional” relationships to build trust.
- Blockchain to ensure shared accountability.
- Minimum requirements monitored & scoring systems.

Brands and retailers bear a greater responsibility (most power, influence and resources to manage the risks).
3. Highlights from Field research

Q9 **Who should absorb the costs/how should costs be distributed along the value chain for traceability and transparency?**

**WHICH COSTS?**
- Development of the traceability, disclosure and monitoring systems

**WHO? HOW DISTRIBUTING THE COSTS?**
- Costs for traceability and transparency should be distributed along the value chain depending on the business model.
- Brands and private entities should bear the cost for implementing traceability and transparency to reflect:
  - the profit margin
  - the price/volume proportionally
  - their need and benefit
- Importers, suppliers and consumers

**RELEVANT QUOTES**
- "The costs for non-transparency are high. There should be a reward for companies that are transparent."
- "Benefit/revenue sharing schemes could be useful."
- "Each stakeholder in the supply chain should made accountable for its costs."

**IS THE CAPACITY THERE?**
- In case of lack of capacity there should be governmental direct support (financial, access to market, targeted programs for SMEs and Developing Countries etc...).
Q10 How do we **enhance the level of trust** among supply chain actors so that they are prepared to share information and build relationships?

**ENABLERS FOR TRUST**

- A robust **due diligence system**, reporting and grievance mechanisms
- Open communication systems
- Longer term contracts and arbitration on changing orders
- Benefit/revenue sharing scheme and penalization system
- A third-party organization to manage sensitive data at the upstream level
- Strengthened partnerships with suppliers
- Technology-based trust & open-source decentralized system
- Public disclosure
- One common standard

**Longer term contracts** and **arbitration** on changing orders

**Strengthened partnerships with suppliers**

**Technology-based trust & open-source decentralized system**

**Public disclosure**

**One common standard**
Q12 How can technological innovation help facilitate engagement and participation?

**MAIN ADVANTAGES**

- Connecting different stakeholders more easily
- Efficiency
- Making it easier to capture and verify data
- Speeding custom declaration process
- Building trust between stakeholders
- Source information about working conditions

**MAIN REQUIREMENTS**

- Making it simple: creating lean processes that are not time-consuming
- Think at scale since the start: technology should be carefully selected avoiding lock-in effects
### 3. Highlights from Field research

Q14. Do you know of any already existing (multi-stakeholders) efforts\(^1\) in your industry to harmonize terminology and/or data descriptions\(^2\)?

<table>
<thead>
<tr>
<th>Harmonization of “data description”</th>
<th>Harmonization of “methodology”</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CircularID™</strong></td>
<td><strong>Cotton 2040</strong></td>
</tr>
<tr>
<td>circularity.ID® Open Data Standard</td>
<td></td>
</tr>
<tr>
<td>eBIZ 4.0</td>
<td><strong>Delta framework</strong> (various sectors)</td>
</tr>
<tr>
<td>GS1 standards (various sectors)</td>
<td><strong>Fashion Transparency Index</strong></td>
</tr>
<tr>
<td>Higg index</td>
<td><strong>Initiative for Compliance and Sustainability, ICS</strong> (various sectors)</td>
</tr>
<tr>
<td>ISO standards (various sectors)</td>
<td><strong>Preferred Fiber &amp; Materials Benchmark</strong></td>
</tr>
<tr>
<td>Open Apparel Registry, OAR</td>
<td><strong>Sustainability Map</strong> (various sectors)</td>
</tr>
<tr>
<td>Product Environmental Footprint, PEF (various sectors)</td>
<td><strong>Wikirate</strong> (various sectors)</td>
</tr>
<tr>
<td>Social and Labor Convergence Program, SLCP (various sectors)</td>
<td></td>
</tr>
<tr>
<td>Textile Exchange standards</td>
<td></td>
</tr>
<tr>
<td>Transparency Pledge</td>
<td></td>
</tr>
<tr>
<td>UN Core Component Library, CCL (various sectors)</td>
<td></td>
</tr>
<tr>
<td>ZDHC Roadmap to Zero</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Code of conducts are not included because they are not a multi-stakeholder effort

\(^2\)The efforts can be divided in: “Harmonization of data description”, if a precise data description is provided in the standard/library/assessment tool/tool/methodology/pilot protocol/initiative and “Harmonization of methodology”, if no data description is provided.
3. Highlights from Field research

Q14. Do you know of any already existing (multi-stakeholders) efforts in your industry to harmonize terminology and/or data descriptions?

Harmonization efforts are various to serve different purposes. They have been launched by associations, intergovernmental organizations, NGOs and private companies.
3. Highlights from Field research

Q16. Please share any existing **Call for Action** to be set out for the standard’s implementation and/or for reporting mechanisms to monitor progress

**TYPES OF “CALL FOR ACTION”**

- **FOUNDATIONS & ASSOCIATIONS**
  - Fashion Transparency Index by *Fashion Revolution*
  - Make Fashion Circular by *Ellen MacArthur Foundation*
  - Manifesto of the EU Social Partners for a future of the European Leather Industry by *COTANCE & Social Partners of the leather industry*

- **PUBLIC INITIATIVE**
  - Blockchain for Made in Italy Traceability by *Italian Ministry of Economic Development/IBM*
  - eBIZ initiative by *European Commission and EURATEX*

- **CIVIL SOCIETY COLLABORATION INITIATIVE**
  - Tamil Nadu Declaration and Framework of Action by *Tamil Nadu Alliance*
  - Transparency Pledge by *IndustryALL & a global coalition of labor and human rights organizations*

- **PUBLIC-PRIVATE INITIATIVE**
  - Dutch agreement on garment and textile by *industry associations, trade unions, NGOs, and the National Government of the Netherlands*
  - G7 Fashion Pact by *Global coalition of 32 of major fashion brands initiated by the French Presidency of the G7 Summit to align with the SDGs*
Q20. What, in your view, would be the best way to share good practices and lessons learned across relevant stakeholders?

Main goals: PUBLIC VISIBILITY / INFORMATION SHARING / TRAINING / FIELD IMPLEMENTATION

**Offline tools**
- Multistakeholder physical meetings
- Conferences
- Industry forums
- Pilot projects

**Online tools**
- Knowledge management platform
- Open databases
- Guidelines
- Case studies

Specific tools for knowledge management:
- Short videos and clips
- Reports
- Webinars / Training
- Position Papers / documents at national level
- Articles on B2B Magazines
- Newsletters
- Podcasts
- P2P learning

18
3. Highlights from Field research

Q27. Among the following, which do you believe are the 3 **most relevant tools** you would like to suggest **to enhance transparency and traceability towards a circular economy in garment and footwear**?

<table>
<thead>
<tr>
<th>Tool</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation for mandatory transparency and traceability</td>
<td>26.67%</td>
</tr>
<tr>
<td>Incentives</td>
<td>26.67%</td>
</tr>
<tr>
<td>Industry commitments</td>
<td>12.38%</td>
</tr>
<tr>
<td>Product passports</td>
<td>10.48%</td>
</tr>
<tr>
<td>Public communication and information campaigns</td>
<td>7.62%</td>
</tr>
<tr>
<td>EPR Policies</td>
<td>5.71%</td>
</tr>
<tr>
<td>Targets for transparency and traceability</td>
<td>4.76%</td>
</tr>
<tr>
<td>Consumer education</td>
<td>3.81%</td>
</tr>
<tr>
<td>Other</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

**Notes:**

**Product passport** is a set of information about the components and materials that a product contains, and how they can be disassembled and recycled at the end of the product's useful life (EC, 2013); an electronic product passport could provide information on a product’s origin, composition, repair and dismantling possibilities, and end of life handling (EC, 2019).

**Extended Producer Responsibility (EPR)** is a policy approach under which producers are given a significant responsibility – financial and/or physical – for the treatment or disposal of post-consumer products.
3. Highlights from Field research

Q27. Among the following, which do you believe are the **3 most relevant tools** you would like to suggest to enhance transparency and traceability towards a circular economy in garment and footwear?

Stakeholders that can ask to implement or influence the implementation of the tools listed below:

**GOVERNMENTS**
- Regulation for mandatory transparency and traceability
- Incentives
- Extended Producer Responsibility (EPR) Policies
- Public communication and information campaigns

**IOs / NGOs**
- Consumer education

**FIRMS**
- Product Passports
- Industry commitments
- Targets for transparency and traceability
4. Takeaways from Desk and Field research

**Key takeaways for the Policy Recommendation Document**

- **Flexibility in the use of technology**
  - Use several technologies. If a specific technology is too expensive or difficult to use, flexibility is needed in the data collection, especially for SMEs and developing countries.

- **Due Diligence**
  - Set criteria for human rights, health/environmental risks and animal welfare Due Diligence.

- **Supply chain traceability**
  - Develop responsible supply chains through traceability requirements (minimum set of information to justify product claims?).

- **Pilot projects and Calls for Action**
  - Focus on the implementation: make it happen.

- **Incentives**
  - Provide financial and non-financial incentives, especially for SMEs and developing countries.

- **Public disclosure**
  - Establish criteria for company sustainability reporting or other disclosure obligations.

- **Transparency for the consumers**
  - Provide clear and non-misleading consumer information.

- **Trust**
  - Rely on technology-based trust (& open-source decentralised system?). Go “beyond transactional” relationships.

- **Technical support, training and education**
  - Leverage on the online tools. Build an effective Knowledge management platform.

- **Circularity**
  - Include circular information in controlled and auditable statements.

---

**Takeaways coming from Desk and Field research**

- **Takeaways coming from Desk research only**
- **Takeaways coming from Field research only**
5. Next steps

a) Desk research: mapping of the policies, regulations and guidelines for transparency and traceability

<table>
<thead>
<tr>
<th>Activity</th>
<th>How to contribute?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mapping of policies, regulations and global guidelines for transparency</td>
<td>Review the mapping and suggest additional regulations, policies and global guidelines by 15/05</td>
</tr>
<tr>
<td>and traceability</td>
<td></td>
</tr>
<tr>
<td>Drafting of the complete Report and Policy Note</td>
<td>Review this presentation and share inputs for the final Report and Policy Note by 15/05</td>
</tr>
</tbody>
</table>

b) Field research: in-depth interviews with experts

<table>
<thead>
<tr>
<th>Activity</th>
<th>How to contribute?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying out interviews</td>
<td>Please confirm the transcript, if you have not done it yet</td>
</tr>
<tr>
<td>Drafting of the complete Report</td>
<td>Review this presentation and share inputs for the final report by 15/05</td>
</tr>
</tbody>
</table>