Enhancing Transparency and Traceability for Sustainable Value Chains in Garment and Footwear

Wednesdays for the Planet | The Clothes We Wear
Garment value chains challenges

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
Rapidly developing policy solutions

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, responding to social demand….

Calls to Action Post-COVID:
- ILO COVID-19: Action in the Global Garment Industry
- WFF Open Letter
- Global Social Partners Call to Action
- 26 companies, business associations, and initiatives make joint call for EU mandatory human rights & environmental due diligence
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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 Completed (Dec 2020)
What we trace and assess

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

- Input (Chemical/Pesticides)
- Water
- Energy
- CO2
- Soil
- Air
- Thermic
- Noise
- Biodiversity
- Deforestation
- Habitat
- Waste/End-of-life
- Animal Welfare

- Child labour
- Forced Labour
- Land Use
- Work & Social protection
- Trade Unions & Collective bargaining
- Sexual harassment
- Gender inequality
- Discrimination
- Homeworkers
- Permits
- Contracts
- Compliance to legislation/regulations
- Management/Administration
- Quality
- Inspections/Certificates

- Origin/Location
- Economic Operator
- Composition/Specification
- Input/Output

- Product
- Process
- Facility

- Environment
- Social
- Health

Data component

- Characteristic
  - Requirement
  - Value
  - Observation
  - Actual Value
  - Evaluation Criteria
  - Degree of fulfilment

- Health Safety

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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
Pilot #1 - Implementing a blockchain technology for traceability and due diligence in the cotton value chain in support of a circular economy
Pilot #1 - Implementing a blockchain technology for traceability and due diligence in the cotton value chain in support of a circular economy

COTTON VALUE CHAIN PILOT

Timeline

Based on the assumption to start the contract on 15.09.20
Concluding remarks

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UNECE-UN/CEFACT International Framework Initiative

- Open, neutral and inclusive platform for wide-industry engagement
- Policy coherence building upon harmonization efforts
- An international standard ensuring interoperability with existing standards and data management systems
- Exploring supporting role of advanced technologies e.g. Blockchain, physical tracers

Why Transparency & Traceability?

- Responsible consumption and production
- Reliable product information
- Risk management
- International market access for SMEs and small actors

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Next steps

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- 27th UN/CEFACT Plenary Final adoption UNECE toolbox (19-20 April 2021)
- Industry actors’ commitments to Call to Action/Sustainability Pledge
- Industry consortia
- Capacity-building & Scaling up
Thank You!

Questions?

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Link to Project’s webpage
https://unece.org/trade/traceability-sustainable-garment-and-footwear