

# Enhancing transparency and traceability of sustainable and circular value chains in the garment industry



Timeframe: 2019-2022  
Budget: 4.2 M€  
*Unit C4, Private Sector and Trade*



The joint trade for development agency of the UN and the WTO  
*Trade-related technical support to SMEs, free-to-use web-based business solutions*



United Nations Economic Commission for Europe  
*Norms, standards & tools for to advance sustainable and efficient value chains management*

# Garment value chains & changes

## 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)



**More than £1bn wiped off Boohoo value as it investigates Leicester factory**  
Workers allegedly paid less than minimum wage and not wearing masks to protect against Covid-19

## Consumers

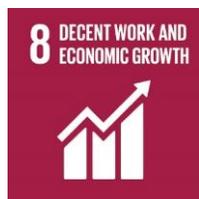
- Increasingly **demand sustainable products** that respect workers' rights, the environment and that are safe especially in the EU - as shown by their purchasing patterns and consumer surveys

## 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



## 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 and
- **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, in particular SMEs

How can we help consumers make sure that the claims on the products they buy are true?

And how can we help as public institutions?

# Enhancing transparency and traceability in the garment industry

## Traceability system

Multi-stakeholder policy platform to design policy approaches and standards to support the private sector in due diligence, through traceability of sustainable and circular value chains

## Audit sharing platform & processes

Development and implementation of online set of social/labour data assessment and sharing solutions - driving harmonization, saving costs, and increasing transparency in supply chains.



## Enabling positive change in corporate practices

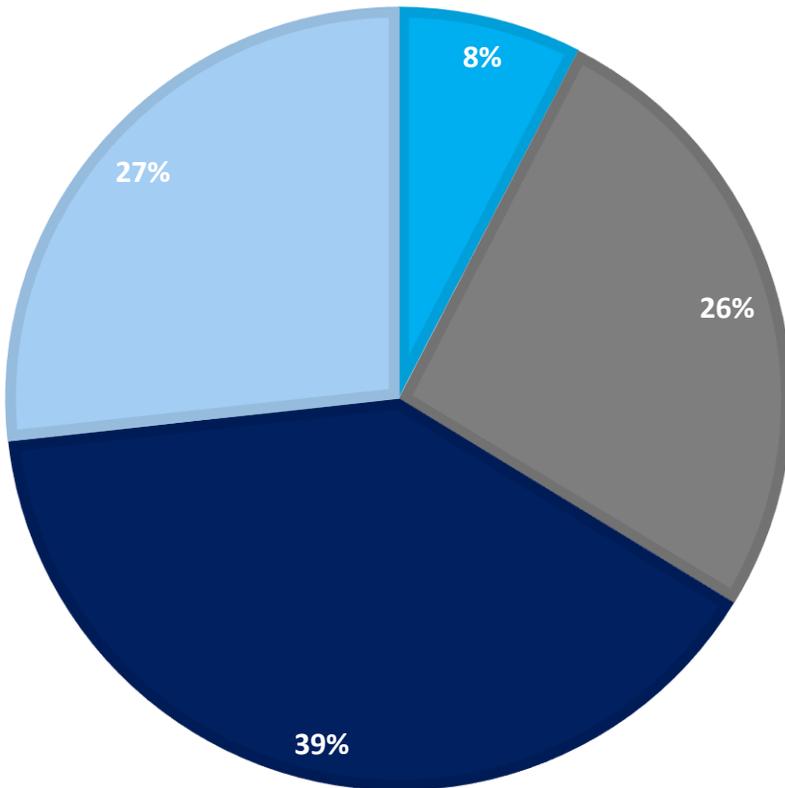
Filling market gaps and supporting SMEs to set a new precedent for the industry and accelerate the sustainability of value chains at a global level

## Enabling the implementation of EU policy

Leveraging a modest and targeted contribution

# Multi-stakeholder policy platform

- International governmental/governmental organizations
- Academia / Civil society organisations / Platforms
- Service & Support
- Suppliers/Producers/Retailers



As of Sept 2020,

**190,000+**  
Companies  
represented  
**340+** Experts  
in the wider network

Policy recommendation

**100** experts



Textile Traceability Standard

**93** experts



Leather Traceability Standard

**65** experts

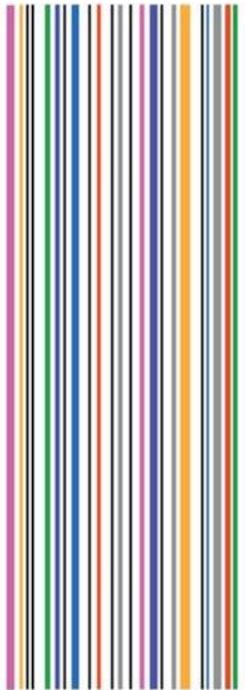


Pilots & capacity-building

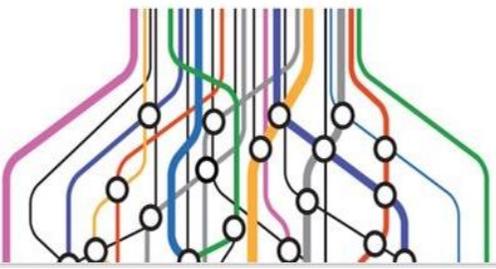
**123** experts



# Traceability system



UN / CEFAC



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&cashemere)



STAKEHOLDERS  
ECOSYSTEM MAPPING

POLICY/LLEGAL REVIEW  
& FIELD RESEARCH

BUSINESS PROCESS  
ANALYSIS

DATA MODEL  
DEVELOPMENT

BLOCKCHAIN SOLUTION  
DESIGN & IMPLEMENTATION

Public Review Ongoing (Oct-Dec 2020)

# What we trace and assess

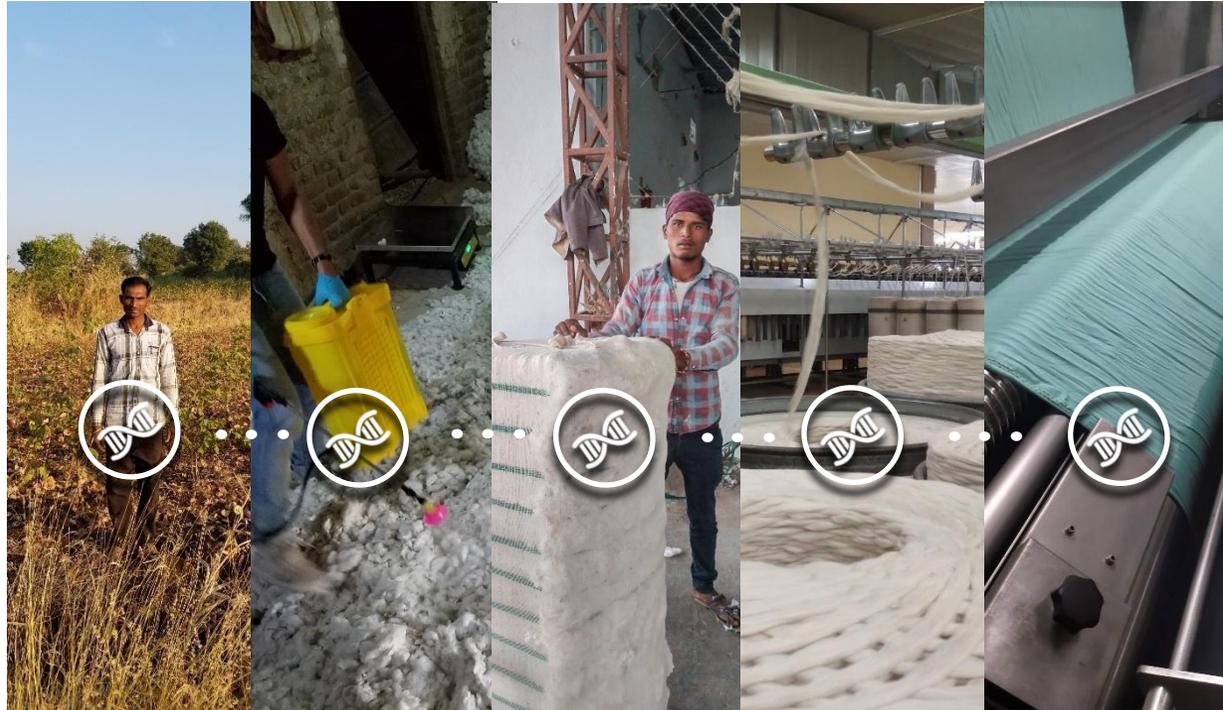


From raw material production, through manufacturing and branding, to consumption and post-consumption



# Cotton blockchain project

**PROVE ORIGIN**      **DETECT BLENDING**      **DIFFERENTIATE PRODUCTS**      **ANCHOR DATA TO PRODUCTS**



**Who:** UNECE-UN/CEFACT & Partners

- 22 pilot experts
- 4 brands
- 4 manufacturers/ 1 farmers' association
- 4 certification bodies
- 2 academia/think tank
- 1 DNA tracer

**Where:** 5 Countries (Germany, Switzerland, Italy, Egypt, UK)

**What:** enhances the **traceability** and **due diligence** in the **cotton value chain** – from farmer to consumer

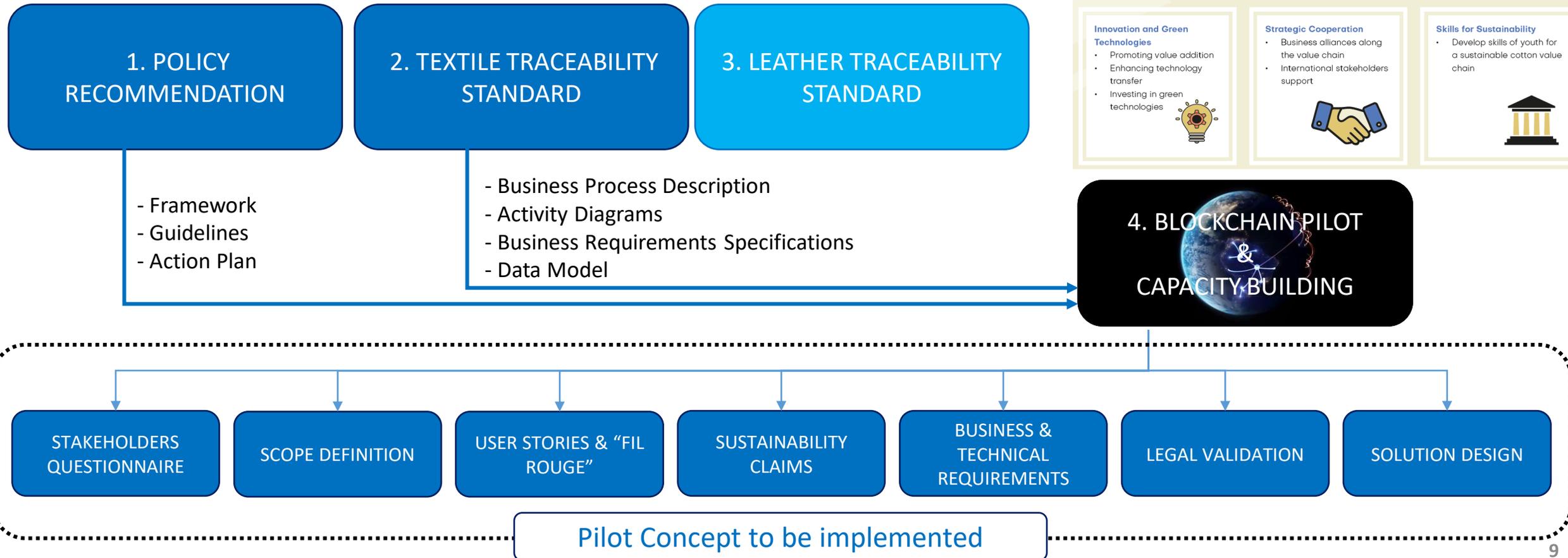
**How:** through the implementation of **blockchain** technology & **DNA markers**



# Cotton blockchain pilot

## The Pilot Project – The blockchain pilot’s main deliverables

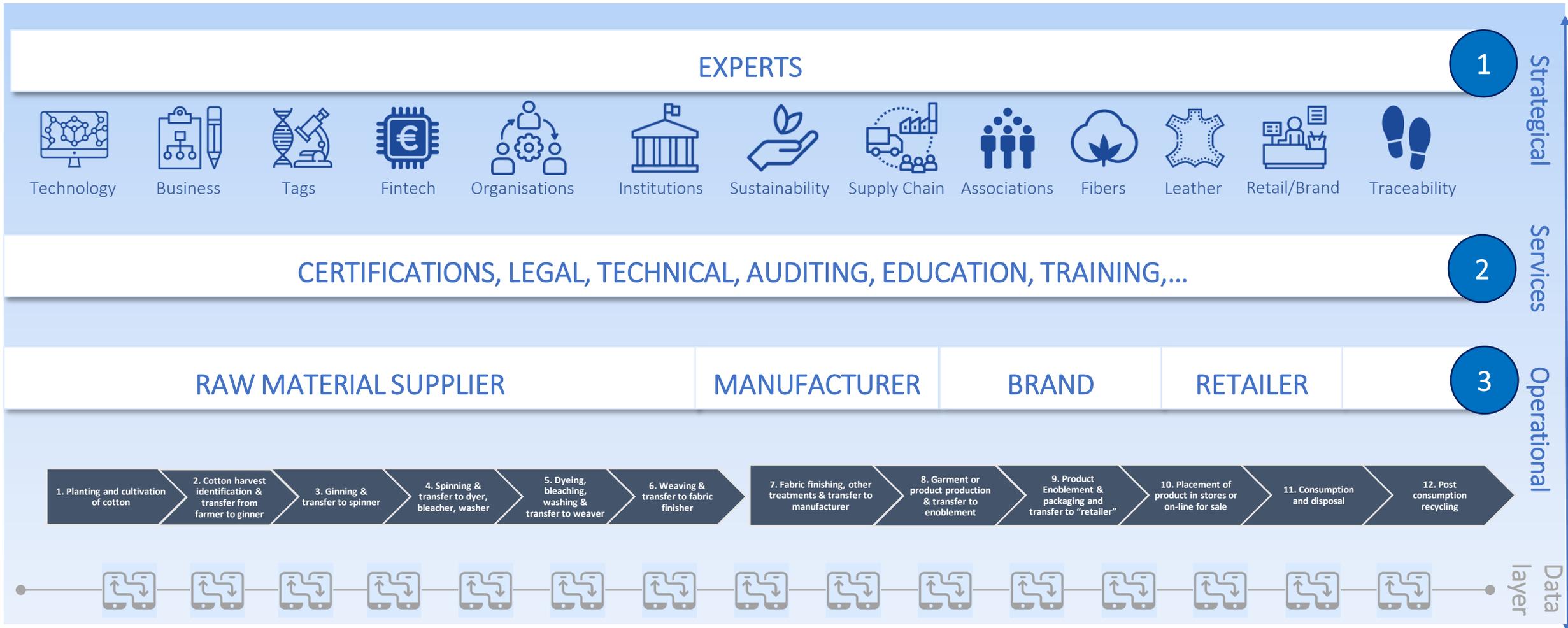
1. Proof of Concept (PoC) for a transparency and traceability blockchain-based system
2. Solution to disclose sustainability claims of all supply chain partners for textile and leather products
3. Brands, manufacturers, farmers and certifiers to test a blockchain-based system



# Cotton blockchain pilot

## The Pilot Project – Organization

Different Roles to contribute to the pilot project





- **Web-based, customized, open self-assessment and verified data sharing solutions** for textile and apparel value chain stakeholders
- **Neutral and secure data holder without a profit motive** that would discourage adoption by different companies
- **Support to SMEs** to help them overcome implementation barriers and improve working standards



Buyers/Retailers  
Intermediaries  
Factories

# Social and Labor Convergence Program

## SOCIAL & LABOR CONVERGENCE Some brands accepting SLCP Assessments

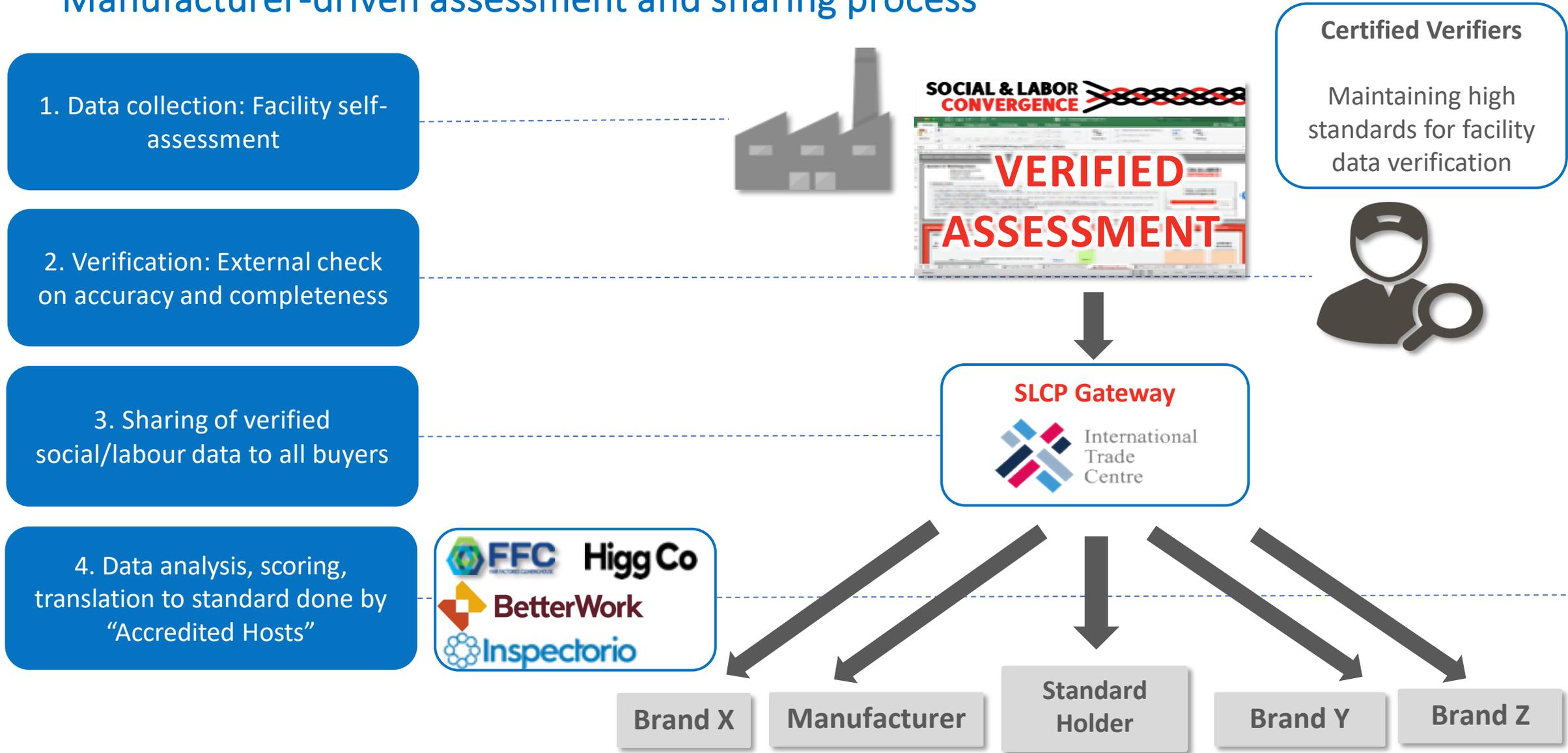


- Pre-competitive consortium of 223 signatories, including manufacturers associations and many of the largest fashion brands
- The SLCP system avoids audit duplications by providing a converged S&L assessment framework to be used by all participating stakeholders.
- Converged Assessment Framework (CAF): data collection tool and robust verification, co-developed with ILO Better Work
- Nearly 10 million EUR in savings projected for garment facilities by 2021 that can be redirected towards the improvement of social and labour conditions.

*“H&M believes SLCP is the solution to a long-standing problem in the apparel and footwear sector, that of duplicative social audits that are a drain on resources and cause audit fatigue. SLCP can help the industry move beyond compliance to real collaboration and the improvement of working conditions with more fact-based data which is measured across the industry. For this reason, H&M has committed to fully adopting SLCP where possible within our supply chain by 2022.”*

# Social and Labor Convergence Program

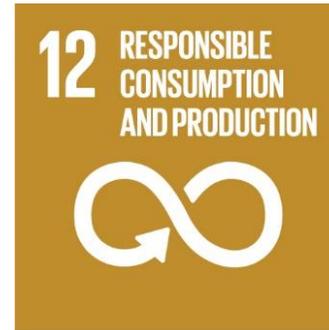
## Manufacturer-driven assessment and sharing process



# What this brings

## A game-changer in textiles and garments

- ✓ **Development impact** to support thousands of SMEs to improve their working conditions, impacting millions of, mostly female, textile sector employees

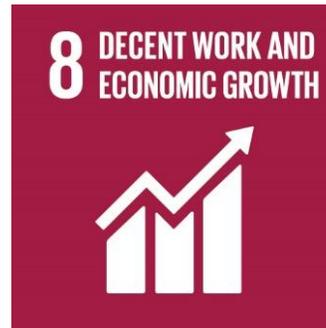


## Helping consumers trust the claims made for the products they buy

- ✓ **Competitive advantage** to brands that invest in sustainable production

## Clarifying complex supply chains

- ✓ **Transparency and traceability tools** for businesses to substantiate claims in a cost-effective way

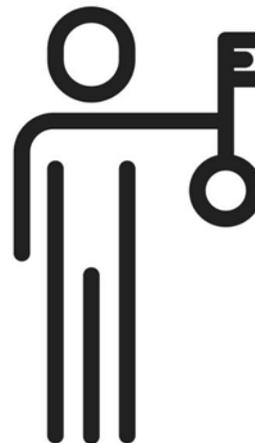


## Demand driven and inclusive

- ✓ **Active involvement** of business organizations and companies to drive change
- ✓ **Open and inclusive** - businesses & business organisations, NGOs, Academics, technological providers, data intermediaries, international organisations, etc.

## Supporting EU policy objectives (and beyond)

- ✓ **Enabling the practical implementation of EU sustainability objectives** through global value chains
- ✓ **Enabling positive change beyond EU borders**
  - ✓ Adoption by non-EU brands
  - ✓ Enabling Devco objectives to support supply chains in partner countries



## Effective and innovative solutions

- ✓ **Leveraging a small 4 million EUR investment** to support thousands of brands and small manufacturers to help themselves implement better practices
- ✓ Supporting **technologically innovative solutions** (open data platforms, block chain, DNA markers)

## Manufacturers

*The textile and Apparel industry is riddled with multiple annual audits, which have added limited value to all stakeholders and to the cause of social improvement in the supply chain. SLCP has helped reduce the audit burden and helped us redirect our resources towards supply chain improvements. So far during the past couple of years, we have already seen several of our clients accepting the SLCP verified data in place of proprietary audits.*



**Abhishek Bansal, Head of Sustainability,  
Arvind Limited - India**

## Brands

*"To make positive impact, we need visibility along the value chain that goes beyond first tier. Traceability and transparency are a key enabler for responsible practices. Information is available but remains in the different proprietary systems addressing mainly mono claims using specific terminology. Hence the harmonization and standardization done by UNECE is a key success factor for the missing interoperability between different sustainability approaches and standards and all the supply chain partners from farmers to brands / retailers."*



**Heinz Zeller, Head of Sustainability & Logistics  
Hugo Boss**

## ILO Better Work

*Transparency and trust in data and its collection processes is a pre-requisite to unlocking its potential for effective industry action by workers and employers, government organisations and statutory bodies as well as global brands and retailers. It is in this context that Better Work is collaborating with ITC and engaging in the SLCP to define common data collection tools. ILO and ITC have unique and complementary mandates and commitments to transparency, can share and convene around robust industry data to strengthen sector and national level governance, encourage responsible business conduct, and increase firm capability, particularly SMEs, to understand and adhere to labour standards.*



**Roopa Nair, Head of Operations,  
Quality and Innovation  
Better Work**

## Civil Society Organizations

*The result of the SLCP so far has not only delivered an innovative assessment framework, but also intensified collaboration in the sector between different stakeholders... With big influential players on board, the SLCP is working towards a critical mass in the sector. But it has also delivered an objective gateway platform where different organizations can upload and share data, where Accredited Hosts can link up to without interfering with their business, and it has set up a collaboration with ILO-BW to be able to roll out in important producing countries.*



**Tamar Hoek, Senior Policy Advisor  
Solidaridad**

## Taking advantage of project solutions in your context

### Awareness Raising

- For local facilities, brands, and other stakeholders in the garment sector
- ITC and UNECE can support with **communications materials** – solutions that can increase sustainability and support MSME competitiveness

### Proposals for activities at the local level

- ITC and UNECE can provide **training to local beneficiaries**
- **Training for EC staff** and support in **designing MSME training programmes** on transparency and traceability in garment value chains

### Directing beneficiaries to project leads

- More information on adopting the **audit sharing platform and piloting the traceability system**
- Help MSMEs increase transparency and visibility with large buyers, save costs, and improve working conditions



# Thank You!

## Questions?



Cyril Sayag

[cyril.sayag@ec.europa.eu](mailto:cyril.sayag@ec.europa.eu)

Policy Officer, DEVCO C4



Joseph Wozniak

[wozniak@intracen.org](mailto:wozniak@intracen.org)

Trade for Sustainable Development



Maria Teresa Pisani

[maria-teresa.pisani@un.org](mailto:maria-teresa.pisani@un.org)

Economic Cooperation and Trade

**SLCP Gateway:** <https://slcpgateway.sustainabilitymap.org>

**SLCP Gateway Facility Open Database:** <https://slcpgateway.sustainabilitymap.org/facilities>

**List of Brands accepting SLCP Data:** <https://slconvergence.org/signatories/#brandsacceptdata>

**ITC Sustainability Map Network:** <https://sustainabilitymap.org/network>

**ITC Standards Map:** <https://standardsmap.org/standards>

**UNECE Project Page –** <http://www.unece.org/tradewelcome/traceability-for-links-to-policy-documents/sustainable-garment-and-footwear.html>

**European Commission –** [https://ec.europa.eu/environment/circular-economy/pdf/new\\_circular\\_economy\\_action\\_plan.pdf](https://ec.europa.eu/environment/circular-economy/pdf/new_circular_economy_action_plan.pdf)