

High-level Conference on Responsible Management of the Supply Chain in the Garment Sector

25 April 2016

09:00 – 17:00

**Charlemagne building
Rue de la Loi 170, Brussels
Room De Gasperi**

Conference Report

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The [*High-level Conference on Responsible Management of the Supply Chain in the Garment Sector*](#) took place in Brussels on 25th April 2016, hosting around 240 delegates from the sector. The event brought together participants from EU institutions and EU Member States, business and civil society including trade unions and worker representatives from around the world, and government representatives from garment-producing countries.

Opening Addresses

Opening addresses were given by **Neven Mimica**, European Commissioner for International Cooperation and Development, **Arne Lietz**, MEP and **Raja Manzoor Aymad Kayani**, Joint Secretary of the Pakistan Ministry of Overseas Pakistanis and Human Resource Development. The opening session was chaired by **Marjeta Jager**, Deputy Director General at Directorate-General for International Cooperation and Development. For welcoming all participants, she was joined by Christian Leffler, Deputy Secretary General at the European External Action Service.

Neven Mimica officially opened the conference and underlined that three years after Rana Plaza, the European Commission recognises that progress has been achieved, but much more remains to be done. The garment sector provides work for thousands of people, but there is room for improving the working conditions in garment value chains in terms of environmental impact, social and labour conditions, and human rights. This is particularly challenging as production is fragmented across countries, and subcontracted to many different actors. A simple cotton T-shirt travels thousands of kilometres before it reaches the shop front, he said, and hundreds of people have been involved in its production. Achieving sustainable production and consumption and decent work are also key Sustainable Development Goals of the 2030 agenda.

The Commissioner invited all participants to use the Conference as a platform for exchange and dialogue, acknowledging existing initiatives and the many successful multi-stakeholder approaches. He presented the EC's own approaches and engagement relevant for the garment sector, which strongly build on joint responsibility and joint engagement including with Member States and industry to bring lasting and sustainable improvements in the sector. Garment workers demand results-oriented action.

To identify those areas where EU action would have the highest value, he said, we are currently analysing the gaps of engagement and opportunities for action, based on a garment study the EC had commissioned earlier. For example there seems to be an emerging opportunity to look at female entrepreneurship and gender equality in garment supply chains. At the same time, participants' input today is valuable in deciding on the workable essential elements for EU engagement in the garment sector over the coming months.

Improved health and safety for supply-chain workers is a key goal, he said. This is shown by EU commitment last year in G7 framework to contribute €3 million to the 'Vision Zero Fund' that aims at making factories safer in producing countries, working both with companies and governments, including strengthening labour inspectorates and injury insurance schemes.

The fund will become operational this year and will be managed by the International Labour Organisation (ILO). The Commission sees the fund as a key enabler in fostering cooperation among G7 countries on supply-chain sustainability and decent work.

He also invited participants to register online in the Capacity for Development community in the group on responsible garment supply chains, saying that this interactive platform enables development practitioners to share ideas and

expertise, and will furthermore provide all documents, photos, and other material from this Conference, and further update on the future work at EU level.

Arne Lietz noted that European citizens are concerned about work conditions in garment supply chains, as yesterday's multitude of social-media comments at the occasion of the 3rd anniversary of the Rana Plaza tragedy showed. However, he said, many are still not aware that human and environmental abuses are endemic in the fashion and textiles industry.

Fashion should be a force for good, he said, remarking that while this conference is organised by DG DEVCO, it has important aspects in trade, employment and the environment. Hence coherence is important. The coming European Garment Initiative should also learn from national initiatives such as those from the German, the Dutch or the French.

For example, in Germany, every enterprise joining the German Textile Partnership has to produce a road map with the steps towards a responsible supply chain in their production with the aim to encourage and facilitate responsible business conduct.

I want to emphasise 5 political priorities, he said:

1. The supply chain starts at cotton production – cotton farmers often being forgotten in the fashion and textile supply chains. The EU Garment Initiative should help Europe put in place an action plan that ensures fair and transparent fashion and supply chains - from farmer to consumer. The Fairtrade Textile Standard demonstrates that this is possible.
2. More transparency is needed across the fashion industry, from seed to waste.
3. Introducing due diligence and binding rules on clothes before they reach Europe is an ambitious goal, nevertheless we should aim that high. Companies selling textiles should carry out risk assessments of the social and environmental impact of their entire supply chains.
4. Public procurement can move towards more sustainable and fair requirements. Using the new 'EU City for Fair and Ethical Trade' award', the Commission could promote good practice among local authorities on using public procurement to increase demand for Fair Trade textiles.
5. We need to make it easier for EU citizens - who want to buy ethical fashion - to find it. Also small businesses, that want to source from ethical and fair producers and garment manufacturers, should be helped to find counterparts.

Raja Manzoor Aymad Kayani said that, in Pakistan, the garment industry is the largest manufacturing industry; it is responsible for 15 million jobs and contributes 9.5% of GDP. Pakistan's textile exports are more than 50% of the country's total exports, and are worth some US \$15 billion. The EU accounts for 25% of Pakistan's total exports and 10% of imports.

However, the textile sector suffers from poor work conditions and low pay. Pakistan's government is taking steps to make the garment sector supply chain more responsible and responsive. It established in 2014 a buyers' forum, with the assistance of the International Finance Corporation (IFC) and the Dutch government which includes 32 international brands, enabling them to discuss with manufacturers issues such as sustainable practices, improved compliance and better health & safety standards.

Pakistan is mindful of taking concrete steps to improve workers' conditions and promote decent work by ratifying and implementing 27 UN conventions, including the eight ILO Fundamental Conventions, also to maintain its GSP plus status.

Pakistan's government is aware that much small-scale, local manufacturing could be improved using international accepted labour methods and improved data management. As one prominent example, Mr. Kayani cited the government's and ILO's joint engagement in a 3-year project to strengthen the institutional network and improve labour law compliance and policies at the workplace that was just launched. This is in public/private partnership with the Pakistan Textile Exporters Association, he said, which aim to build capacity in the textile industry in order to build responsible work practices and a social-dialogue approach.

Developing countries have expectations, he said, they expect the donor countries to be in the lead, in the same way that you teach a toddler to walk.

First Plenary Session – Part 1

Roberto Ridolfi, Director for Sustainable Growth & Development at DG DEVCO chaired the first plenary session. He introduced keynote speakers **Pablo Isla**, CEO and Chairman of Inditex, **Gerald Heerdegen**, CEO of Fahnengärtner, and **Jyrki Raina**, Secretary General of IndustriALL Global Union.

Pablo Isla said his organisation represents 150,000 employees, operates in more than 90 markets and has more than 7,000 stores in the world. In 2015, sales stood at €21 billion. "People are at the centre of our decisions, including those working in the supply chain", Isla said.

His organisation's business model depends, he said, on listening to customers and feeding back their comments. Over 60% of the supply chain is Proximity sourced: Spain, Portugal, Morocco and Turkey. The company has worked with some suppliers for 25-30 years, so has built up a reputation as a responsible client.

The business model is based on a holistic, sustainable approach, from storefront to supply logistics, including factors such as energy and water consumption. "By 2020, all the company's stores will be eco-efficient", Isla said.

Inditex's chairman explained how the Group works to create value for society through various programmes. For example, the company runs an inclusion programme for people coming from different social backgrounds, and also has 11 stores in Spain managed by people with disabilities.

Isla highlighted that Inditex places efficient resource management and social responsibility at the heart of the company. Last year it carried out more than 10,000 audits, 1,000 of them were environmental.

Isla noted the crucial role played by the joint and continuous work performed with benchmark partners such as IndustriALL, the International Labour Organisation, the United Nations Global Compact and, more recently, the initiatives deployed under the umbrella of the Sustainable Apparel Coalition.

Gerald Heerdegen's family-owned company Fahnengärtner, just outside Salzburg, makes flags and advertising products for POS (point-of-sale). Launched in 1945, the company is proud of the ethical values with which it was founded.

We have to constantly rethink our way of working on the market, he said. Our portion of the printed-products market may be small, but it has the best production technology on the market.

What characterises world markets today, he asked, answering that they are based on a model of exploitation, a 'scale of unfairness'. A system that is unfair for workers, unfair for our children, and unfair for all – where traditional values of life and living are being ignored or neglected.

How do we promote more responsible management? For me it starts with my personal responsibility, with my commitment to the company, with my personal beliefs and my hopes for my children. For if we don't start sustainable management ourselves, then who else will?

We want to earn money from our products, but how we do it is important. In our case it is new technology. Our flags probably have double the lifetime of competitors' products. Which means we may lose money on early replacement, but our society saves on waste, and the environment benefits. Our approach to sustainability is about better durability, not producing more, but doing more with less.

We have to educate our employees on this approach. This is my responsibility as an entrepreneur. We should focus on greater efficiency and reducing material waste. For our company, this ethical approach translates to a sickness rate of 1.5% among our employees, where the Austrian average is 3.5%. The company is efficient, and we gain the satisfaction of knowing that we produce good products.

Jyrki Raina recalled that IndustriALL represents some 150 million workers in the textile, garment, auto and other industries around the world. Yet there are enormous sectoral differences – auto industry workers enjoy good conditions, group representation, global agreements, etc., – a sustainable way of working.

The textile and garment sectors, by contrast, suffer from poverty-level wages, long working hours and dangerous workplaces – an unsustainable working environment. If these sectors are to become sustainable, then governments need to create the conditions for secure jobs, with support from the European Parliament and campaigning NGOs.

Rana Plaza three years ago was a wake-up call, he said. This was a building that had been certified. IndustriALL decided subsequently that voluntary agreements are not enough, and that legal, binding measures were needed. Over 200 Bangladeshi companies signed agreements with our new inspection regime.

We found and fixed over 50,000 problems at workplace sites, he said, 75% of them electrical, of the kind that had caused Rana Plaza. But sustainability is also about culture, about management change. It is important to secure compensation for mistakes, for the families of workers who are injured or killed. He thanked Chancellor Merkel for a grant of €2.5 million to this end.

IndustriALL does have partnerships with industry – 47 global agreements with major producers. With Inditex in the textile and garment sector, we cover 6,000 factories and 1.4 million workers. And with H&M for example we signed an agreement last year for its workers, and gained re-instatement for 800 workers in Pakistan who had lost their jobs.

More and more workers are now earning a living wage, he said. Yet there are structural problems still. Improving wages does not cost a lot – you can double or triple local wages and the consumer will barely notice. We need to get consumers to ask about supply-chain practices, he said. The human rights of workers are already clearly stated by the UN. While all EU initiatives are welcome, I think that the EU needs to do criticism as well. “We should be proud of the clothes we wear.”

First Plenary Session – Part 2

In Part 2, also chaired by Roberto Ridolfi, Rupa Ganguli and Bart Slob presented the results from the ‘mapping and gapping’ study carried out for DG DEVCO over the last months to identify key issues in the supply chain, and potential opportunities for action.

They looked at factors such as the economic importance of the sector, the EU's relationship to those countries, e.g. Bangladesh, Cambodia and China (which accounts for 40% of exports from the region), the brands linked to initiatives, the investment partners involved, etc. Most initiatives originate in northern Europe. After Rana Plaza, much of the focus has been on worker and building safety. In general, multi-stakeholder initiatives tended to be more successful, they said.

Workers’ rights are a big concern, despite the many initiatives taken to make sure companies and states respect them. There were some complaints of audit fatigue after factories found themselves being constantly audited. While actors throughout the supply chain were concerned with issues such as deadlines and shipment dates, price is still the single most important factor.

Gender equality was an issue that came up repeatedly, they said. Environmental protection standards also had seen low levels of adoption in garment production, more in the textile supply chain since more chemicals are used there than in garment production, and in the area of waste management. Another key issue that would need attention was lack of transparency in the supply chain.

What to do about it? The two consultants presented some of their findings, like organising more dialogue in the key gap areas. Giving more support to those agencies that are already supporting priority initiatives, either through funding or otherwise, and incentivise good or approved suppliers. Another option would be to implement a regulation at EU level, something like REACH in the chemical industry. And due diligence could be made mandatory – based on a thorough risk analysis in the supply chain. They also recommended collaborating with the OECD due diligence initiative for responsible supply chains in the sector.

Q&A

Questions. What impact do brands have on these issues? If auditing fatigue is a problem, then perhaps softer incentives can be used? If multi-stakeholder initiatives are more successful, should we focus on them more rather than private initiatives? There seems to be a lack of focus at government level?

Answers

A. A lot of work has been done by brands, however when we look at country-wide initiatives, brand-driven actions tend to be smaller and not country-wide, e.g. M&S, H&M, Inditex. Such initiatives from individual brands can be highly volatile. As companies can change ownership, wider initiatives from multiple stakeholders might deliver better in the long-term. On auditing we agree that the soft approach is better, but this needs to be backed by government legislation, even though there is little appetite for it right now.

A. On governments, several governments do come up with initiatives, e.g. Italy and the Netherlands. And in the producer countries governments are often partnering with international representatives and the ILO conventions are

steadily being ratified, but it is a slow process, and what is done on paper does not always reflect the reality on the ground.

A. On standards, we find that the stricter the standard, the less popular it is with producers. This is a dilemma – the choice between a strict standard with a few members, and a weaker standard with greater popularity.

The second part of this session presented designers' views on sustainable fashion.

Jonas Eder-Hansen of Danish Fashion Institute (DAFI) introduced the interview with designer Barbara I Gongini, saying that Denmark's government-funded institute to promote Danish fashion helps to educate designers in how to work more sustainably. Eighty per cent of a garment's environmental impact is decided in the design phase, in areas such as fabric, material choice, pattern, product characteristics, etc. As an example Nike claims 60% of its shoes' environmental impact is decided by the choice of materials.

The majority of people don't buy fashion to save the world, he said, but to look and feel good. So we must strive to include designers in any sustainability effort. Fashion is one of the most resource-intensive industries, and we need to expose designers to the many opportunities within sustainability and play around with fashions, with approaches etc. Recognizing this, the EU can gain a first-mover advantage and secure growth.

DAFI invites designers to work with sustainable fibres, with different tools, such as the Higg index (Higg Environmental brand and product module) to improve the sustainability of their designs. They can work with traditional fibres such as organic cotton or wool, but also with novel materials such as fabrics from crab-shells and fish skin, and they can order such fabrics via an online database and a physical library with more than 2000.

Barbara I Gongini is influenced by her home Faroe Islands to use natural themes in her work, favouring materials such as cotton, organic wool and hemp. On sustainability, she said she has to thank Danish Fashion Institute to help her organise their CSR (corporate social responsibility) policy.

She said that social inclusion is very important to her, admitting that while her work did not yet have an impact on large volumes, that 'if you navigate with your heart it can be done.'

On working with networks, she said that now she can simply go to a company and ask to see the CSR programme. Whereas in the past companies were not so keen, now they are much more up-front about it, the certificates are there and it is a lot easier to navigate. On the influence of the Danish Fashion Institute, she said 'imagine fabric libraries in all the major cities of Europe.'

Designer **Stella Jean** delivered the subsequent presentation, bringing in another designer's view on sustainable fashion. She said that she had found her mixed Italian/Haitian parentage a problem initially, however thanks to some large Italian fashion houses taking up her designs, she had been able to overcome this. Italian fashion week showed her that fashion is more than aesthetics but also a form of self-expression, which enabled her to meet UN representatives followed by trips to Mali, Burkina Faso and Kenya.

I don't see people in the garment industry as cheap, outsourced labour, she said, I want to meet them, look at their techniques and preserve the best of their garment traditions. They often have techniques that are as interesting and sophisticated as our own; we need some kind of counter-colonisation. We can build walls, or we can break them down

and see what people can do. In Haiti I worked with 100 seamstresses – I saw what they could do, and we must preserve these endangered techniques.

Sometimes we are so convinced by certain stereotypes that we have forgotten how to learn from diversity. Fashion is strong, it is direct, it is fast-hitting – we need to exploit fashion distribution to change lives. This is not charity – diversity is the point. It's about women being proud, and keeping them proud.

Parallel Session 1: Exploring success stories and challenges

Sandra Gallina, Director for Sustainable Development, DG Trade, introduced Session 1 of the Parallel Sessions and briefly recalled the EU approach to this issue through different internal and external policies, including trade. She stressed responsible management of supply chains is an integral part of the Commission's Trade-for-All strategy in line with ensuring trade policy is not just about EU interests but also values such as human rights, sustainable development, the fight against corruption.

Tyler Gillard confirmed that the OECD has been doing much work on responsible business conduct, with the OECD Guidelines for Multinational Enterprises as the most comprehensive set of government-backed recommendations on responsible business conduct in existence today.

Although enterprises should implement the Guidelines, governments adhering to the Guidelines are obliged to set up National Contact Points (NCPs) to handle enquiries and contribute to the resolution of non-compliance in multi-stakeholder forums. NCPs are unique as they offer a grievance mechanism. Introduced in 2000, this quasi complaints mechanism has already handled 300,000 procedures, 35% of them in the manual sectors. Not sector-specific, it has been widely taken up by governments.

As practical sectoral applications for the recommendations found in the OECD Guidelines for Multinational Enterprises, several sector-specific guidelines are also available, including in the Garment and Footwear Sector to help enterprises identify, prevent, mitigate and account for how they address their actual and potential adverse impacts in their supply chains. They can be applied to each company throughout the supply chain, right from the farm gate

The due-diligence guide is ideal for SMEs because it is naturally tailored to company size. Smaller family-owned companies often do better on due diligence, as larger companies have more departments to control. We recommend that SMEs start with existing suppliers, then move on from there.

Corruption has been a key focus, since corruption is a 'gateway crime' that can lead on to other economic law-breaking. Since bribery and corruption are a risk throughout supply chains, the OECD has tried to develop self-reinforcing due diligence procedures, guidance on the practical steps companies can take to show they have carried out their due diligence. He recommended companies take a risk-based approach – so low-risk countries would require less work than the higher-risk countries.

Carsten Schmitz-Hoffman of GIZ (German Textile Partnership Secretariat) and **Andreas Streubig** of Otto Group represented the German Textile Partnership for sustainable textiles. Carsten Schmitz-Hoffman said his organisation identified partners able to commit to implementing a platform with a pre-competitive approach to sustainable production. The work is driven by a need to create a level playing field, he said.

Andreas Streubig emphasised that the partnership aimed for realistic, attainable objectives for all those involved in the textile alliance, for designers, producers, unions, etc. The objective is to cover the whole supply chain from raw material to end-of-life.

However the partnership has to focus on hotspots, he said, where we can bring in funds in support of an international initiative. The objective is to produce more and more sustainable garments. To enhance reporting and improvement, a review process is currently developed with the aim to implement it from 2017 using established standards, linking up with EU and G7 initiatives. The German Textile Alliance is a smart movement – we need to rely on using what's already there, whenever it meets our minimum requirements, and has proven successful. Several governments are already establishing initiatives to work on sector-specific approaches, but these cannot yet be regarded as successful, or are not at a stage to show results.

Simone Lehman of Sequa/SMART Myanmar and **Khine Khine Nwe** of the Myanmar Garment Manufacturers Association discussed the SMART Myanmar project - SMEs for Environmental Accountability, Responsibility and Transparency, which started its second phase early 2016 after running successfully for 3 years. The project actively supports and promotes sustainable consumption and production of garments “Made in Myanmar” – a concept with emphasis on resource efficiency and social responsibility. Khine Khine Nwe said that garment manufacturers typically only receive 10% of the salesroom price of a garment, and all materials, labour, energy and production costs have to be covered by this.

Compliance is another cost, she said, and after the introduction of the project her association had developed its own proposals for compliance standards. They have also developed a Compliance Academy, in two years have trained 10 compliance consultants, who work with one factory at a time on the project, then go on to others.

This same Compliance Academy has also launched a child-exploitation prevention strategy, she said, reducing daily working hours from 10-12 to 8 maximum. And it has an occupational health & safety checklist, which has helped increase compliance from 50% to 64%. Five factories have passed auditing since December 2015 – with one company for example, it took 6-9 months to get all standards fully complied with for all factories.

Simone Lehman said that they are now extending the programme to cover 100 factories over the next four years. They have also built in capacity training for good compliance, as well as a smartphone app, in Burmese on Burmese labour law, to help empower women. In the future they wish to establish women-cafes similar to those in Bangladesh. SMART Myanmar is quite simple to replicate in other countries – we are ready for it. Training the trainers is not difficult. Our first project was for 10 factories – our second will be for 100.

Baptiste Carriere-Pradal of the Sustainable Apparel Coalition and **Hendrik Alpen** of H&M spoke about their 2020 vision. Baptiste Carriere-Pradal said that today some of their brands already have 20 years of experience in sustainability. Today the SAC coalition could offer a complete, holistic package, which is important because if we are to move forward, we need a holistic platform able to tackle environmental and sustainability issues. Also the tools to measure real performance as well as environmental performance, such as the Higg Index, a standardized supply chain self-assessment tool to measure environmental and social and labor impacts.

Introducing H&M as the second biggest brand in the world with a turnover of US\$ 20 billion, Hendrik Alpen said the company sees sustainability as a key part of its future growth. Some of their suppliers have complained of audit fatigue, he said, with certain garment producers receiving a visit a week.

In the last few years, H&M has moved on from auditing to more training, e.g. corporate training, measuring impact rather than compliance, and moving into more aspirational areas of compliance. Adopting the HiGG index is the next logical step in this journey, aligning industry standards and avoiding multiple different requirements for suppliers to adhere to, while at the same time creating a so far unknown comparability and massive options to increase transparency across the supply chain, including performance benchmarking for all actors concerned, including consumers. This could be done by providing Higg scores for each product as an alternative price tag, easily accessible and understandable for consumers and at the same time a driver for increased performance in a constantly evolving index.

H&M has now rolled out the Higg index as base of their supplier assessment to 100% of their first tier supplier factories and is currently in the process to extend this to second tier suppliers, aiming to cover fabric and yarn mills involved in about 50% of the total production volume by end of 2016 already.

Parallel Session 2: Exploring success stories and challenges

Pedro Ortun, Principal Advisor for CSR, DG GROW, opened the session saying that we all are facing a common challenge: there is the need for further acceptance and uptake of responsible business practices by a much larger number of EU firms. This could be done by reinforcing existing measures and increasing transparency and accountability.

Speakers emphasised that the role of SMEs, both European and those in third countries, are crucial to uphold responsibility in garment supply chain.

Bernardo Cruza from El Corte Inglés and **Carole Hommey** from Initiative Clause Sociale explored success stories and challenges of the BSCI - ICS Merger. The aim was to provide greater leverage for their members to drive forward social compliance and to consolidate the efforts of both initiatives towards greater impact.

There were discussions on the role of audits so as to help facilitate an international level playing field for businesses and strengthen decent working conditions on the field. However, there was an audit fatigue and need to look at how to actually impact the supply chain. There is the need to look at remediation/access to remedy and supply with greater capacity building.

Some instances of good practices included online databases for sharing examples on what works and strengthen dialogue.

Rami Abdelrahman of STWI SIWI and **Susmita Kamath** of cKinetics, India went through lessons learned from a successful scale-up of a global textile initiative saying that looking at the textile sector needed a further look to the use of natural resources and their impact on society.

Multi stakeholder platforms or public-private partnerships such as the Swedish Textile Water Initiative do exactly this, looking at the way the sustainable use of water resources influence supply chains and the factory level.

The audience addressed some questions to the speakers that were focused on transparency (BSCI) and other potential sectors of work (STWI).

Initiatives such as the Pakistan Buyers Forum, presented by **Tanjia Gonggrijp** of the Ministry of Foreign Affairs, Netherlands, and **Sibbe Krol** of Sustainable Trade Initiative (IDH), demonstrate that there is value in large scale initiatives with many buyers (25 large buyers included in the initiative), facilitating both CSR and responsibility in trade.

Successes here included effective dialogue with the government creating a national action plan and enhancing the role of sustainability in local suppliers.

Moving forward, the initiative aims to join forces with EU and Member States for aid programs in the textile industry to increase scale and build capacity for implementation, and at the same time, increase collaboration with other existing programs in the country (such as from ILO on the labour inspectorate).

Esther Germans of Better Factories Cambodia (ILO/IFC Better Work Programme) presented the case of Cambodia. The programme works with 550 factories and 49 brands, showing that partnerships with government ministers, trade associations and the private sector can be effective and replicable. The role of the government is indispensable and rule of law and law enforcement needs to be taken seriously.

The objective of the programme is to improve working conditions and productivity in the garment industry, and has a proven track record of increasing labour law compliance over the last ten years. To increase transparency and trust in sourcing from Cambodia, the programme also works on public reporting.

Conclusions

Multi stakeholder processes are key to ensure success. Still, in order to make partnerships work, there has to be a common commitment of the partners in order to be engaged and consistent towards the main objectives. Transparency and visibility should be considered as priorities. However, key lessons learned also demonstrate that a balance between social/human rights and environment impacts must be properly assessed.

A need was found to move away from audits and reports that may not generate change. Good practices can include generating healthy competition among garment factories on responsible business/decent work.

Second Plenary Session, Part I: Wrapping up parallel sessions

Sandra Gallina, Director for Sustainable Development, DG Trade, summarised the discussions of Parallel Session 1 for the audience.

Session 1 showed that active commitment of all actors including through partnerships is instrumental to achieved desired results and ensure the sustainability of global supply chains in the sector. The different initiatives presented in this session are good examples that one cannot achieve results in isolation. Governments, international organisations such as ILO or the OECD, businesses and other stakeholders have all a role to play. For instance business models need to fully integrate sustainability elements in their core business operations. Increasing transparency for consumers, but also for shareholders; and helping developing countries for instance through capacity-building that allows for systemic changes are important elements to be taken in consideration as we move forward on this issue.

Pedro Ortun, Principal Adviser for CSR, DG Grow, gave a rundown of the discussions in Parallel Session 2 for the audience. Strong stakeholder engagement is the key to success for sustainable partnerships with trade unions and NGOs, he said, though this is not yet the norm.

We need to get big brands seriously involved in a sustainable process, he said. For example EURATEX and IndustriALL could together help develop a supply-chain approach that helps big brands and SMEs engage in a more responsible sourcing of their materials and management of their supply chains.

Scaling is important for nationally led initiatives, he said, for example such initiatives could request to scale up to European level, and gain increased support from EU budget lines.

Most important is the need to ensure coherence between all these different initiatives and those coming from actors such as the OECD and the UN. We need to take account of OECD processes, e.g. in garment, in food, in banking and in minerals. Use what is already internationally available, e.g. the UN Guiding Principles on Business and Human Rights.

Second Plenary Session, Part II: Engaging jointly for increased effectiveness

The second part of the afternoon plenary session hosted a high-level panel discussion preceded by two key note speeches by workers' representatives from Bangladesh and Pakistan.

Nazma Akter, President of Sammilita Garment Sramik Federation, Bangladesh, strongly called for reflecting the workers' perspective in business and policy, emphasising how little reward in a giant global-trade sector went to the actual workers. There are sustainability initiatives coming from the EU, China and the US, she said, but to whose benefit? That of the market or that of the worker?

In Bangladesh many workers remain malnourished, she said. But if anyone tries to form a union they get fired. Union-busting is common. The government always supports manufacturers because the garment sector is important for the country, but how to get living wages and decent work conditions.

Globalisation and multinational companies have created such problems, she said, yet it is the workers who are suffering. We need a new workers dialogue – my request to you is to respect FOA (Freedom of Association) and the right to collective bargaining. We make your clothes, but please, give us a fair price.

Zahoor Awan, General Secretary of the Pakistan Workers Federation, reiterated Nazma's plea, saying that 60% of global trade in the real economy is dependent upon the supply chains of major corporations, yet this trade is largely based on a business model of exploitation and suppression of trade union rights.

Recent ITUC (International Trade Union Confederation) research with 50 companies revealed that their supply chains employed just 6% of their workers directly – the remaining 94% of workers are subcontracted into the supply chains. These 50 companies, including Samsung, McDonalds and Nestle, have combined revenues of US \$3.4 trillion. They have the power to reduce inequality; however their business model relies upon informal employment of 116 million workers.

The Rana Plaza collapse in Bangladesh claimed 1200 lives – these workers were producing garments for leading brands. Since that date a prominent garment-workers union leader has been assassinated, many unionists have been physically assaulted, and employers are encouraging the forming of staff associations rather than unions. As in many South Asian countries, there are no trade-union rights in Bangladesh.

In Pakistan, the high prices paid by consumers in the west do not pass on to the garment workers, who in general receive poverty-level wages. The EU Clean Clothes Campaign exposed some startling facts about sports shoes manufactured in Indonesia for US markets – while a US consumer is charged \$100 for a pair of shoes, the local manufacturer's profit is \$2, the brand holder's profit is \$ 13.50, and the workers who make the shoes receive 40 cents. No-one really knows the profit of the store chain.

So exploitation is rife in the garment industry, price pressures keep wages low, and OECD guidelines aren't really doing the business. 2016 will be a crucial year for reforming the present supply-chain model. Governments are waking up to the problem, and the G7, the ILO and the OECD have all accepted that something needs to be done. We have an opportunity to reform supply-chain management to allow guaranteed Freedom of Association, collective bargaining, worker participation in safety committees, improved social standards and the rule of law.

Panel discussion

Moderated by **Guus Houttuin** of the EEAS, the panel discussed how multi-stakeholder approaches in the garment industry can support responsible business management – including at EU level. If we only have one shot, what should it be?

Jason Kibbey of the Sustainable Apparel Coalition, a multi-stakeholder alliance working to create an apparel and footwear industry that does no unnecessary harm and improves the communities where it operates, covering more than 40% of the EU garment business imagined a world where sustainability information is as widely available as nutritional information on food. If such an infrastructure was transparent, then stakeholders could hold organisations accountable. There are over 100 different initiatives on sustainability and environmental improvement, he said, we don't need another one. The EU is the only region that can create standardisation in a truly fractured industry. The one shot would be relying on a single approach for measuring sustainability in the apparel sector; we need to have one single language.

Erica van Doorn of Fair Wear Foundation (FWF) said people should look at FWF's 'Womens' Safety at Work' portal, which is active and promoting gender equality in the garment sector. In May FWF launched a study report on 'Labour Minute Costing' showing concepts on how to move towards Living Wages in garment supply chains. This could play a vital role in helping improve sustainability, and should be a key focus area. The EU could play a vital role in ensuring proper due-diligence by European companies and creating a level playing field, she said. There are many national initiatives in the Netherlands, and Germany, for instance - the EU could do a lot more to coordinate such initiatives.

The Commission should look at specific initiatives when deciding how to take action. For example, FWF started a project on preventing violence against women in India and Bangladesh funded by UN Women. FWF worked with about 20 factories in India and 20 in Bangladesh. This approach could be scaled up, but must be gradual because it is a cumbersome and long-term process, and relies a lot on trust.

Mr. Gilbert Hounbo of the ILO highlighted that the EU was already actively engaged in Bangladesh and stressed the critical role that EU has to play as a partner with significant political and economic power. He believed that this leveraging potential could be further explored by the EU.

He suggested that in addition to visible progress in the improvement of working conditions, more could be done in the area of communications. He also stressed that DG DEVCO, DG EMPL and DG GROW all have an important role to play as conveners of constructive dialogue between workers' and employers' representatives and in assuring the overall balance powers at the negotiating table.

He believed that there could be scope for state and private inspectors to work together, as long as such assessments would be conducted in accordance with jointly accepted rules and standards.

In commenting on the issue of minimum-wages, Mr. Hounbo believed that a balanced assessment of achievements should be considered, taking into account the state of affairs before and after the Rana Plaza accident. He stressed that only in the last year over a 100 new unions have been registered and that the next important step would be to make them effective.

He concluded by pointing out that on the one hand the minimum wage in Bangladesh has been gradually increased, but on the other it was still lower than in other countries with similar characteristics.

Thomas Silberhorn of the Federal Ministry for Economic Cooperation and Development, Germany, said his government had launched a Sustainable Textiles Partnership in 2014 after Rana Plaza, and he was hoping this would be duplicated by the Netherlands.

Globalisation has benefited business, he said, but we are failing if we are not able to school children, and there is no safety or security for families. Many of the products sourced from Asia are produced under conditions that we would never accept in Europe. Working conditions have to improve, but this has to be done in a way that does not destabilise markets.

The EU is the biggest consumer of textiles in the world, he said, so we have to do something. In Pakistan the minimum wage is \$120 pcm, in Bangladesh \$69. We need a multi-stakeholder approach to address such issues. We try to organise better conditions for workers, for production, for the environment. Our implementation can improve productivity by improving working conditions.

We invite the EU to provide significant development funding for this purpose, as well as support for better coordination of the various initiatives. We have to improve these global value chains.

Richard Howitt, MEP, said his key message is that we need to redefine and reinforce standards, rather than replace them. The EU has built a reputation for positively reinforcing corporate social responsibility over many years, let us build on that, he said.

The OECD has developed principles for responsible management in the minerals sector, and now for the finance sector. It has a wide range of sectoral initiatives, from airports to food. The European Commission itself has done valuable work in applying UN principles to all sorts of sectors, from employment agencies to SMEs.

Some of the work presented this morning is very good, he said, in particular how to reward those suppliers that practice better employment and safety standards, by providing access to public procurement, better finance terms and trade assistance.

In terms of one really important action, he thought the EU should work on living wages, by cooperating with some leading garment retailers to endorse those suppliers that do pay the living wage, and also with the internationally recognised trade unions in those countries to oversee its implementation.

Both IndustriALL and Human Rights Watch report that many Asian workers are forced to work long hours just to earn a minimum wage. There is also clear evidence of child-labour exploitation in countries such as Cambodia.

Carol Crabbé of the Clean Clothes Campaign said that after Rana Plaza her organisation campaigned for over two years to get European companies to contribute to a compensation fund. Finally in June 2015, they achieved full compensation for the 5,000 survivors.

We do not believe that EU will add value through additional multi-stakeholder platforms or sharing good practices, she said, we believe it is time to implement the UNGP on business and human rights throughout the global garment supply chain. The Rana Plaza compensation fight showed us that voluntary CSR does not guarantee workers' rights.

We want to emphasise the need for greater transparency in the supply chain, especially between European companies and their suppliers. We need a standardised shipping database, one that allows consumers to identify where their clothes come from. For us it is the prerequisite for accountability. All this can be done through the European Safety Directive.

Closing remarks

Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation, the Netherlands, said that Rana Plaza showed only too clearly how markets malfunction without proper boundaries. This is not a free market, she said, this is a slave market, a dumping ground. We can support markets only by upholding standards, by holding markets to account.

Three years after Rana Plaza we have made progress, she said, but much remains to be done. Next month will see a living-wage conference in Pakistan, organised with the Pakistani and German government. The objective will be how to bring the living wage to each country in the region.

We need to recognise that supporting sustainability will cost money, she said. If inspection agencies turn a blind eye to the regulations and offenders are not caught, then the government is not doing its job.

We hear a lot of call for regulation, she said. But if we want true ownership, then we shouldn't draft new rules too soon. The power of collective agreement is that everyone feels responsible. In the Netherlands, the first new agreement in Sustainable Textiles will include 35 brands, covering 30% of the textile market. This should increase to 80% by 2020. These are voluntary agreements, but if they don't deliver, then we will have to introduce legislation that forces companies to comply.

I call on the European garment companies to sign up, also to the new European Garment Initiative. Agreement is the best way forward, to harness the power of globalisation to deliver a decent life for all.

Marianne Thyssen, Commissioner for Employment, Social Affairs, Skills and Labour Mobility, acknowledged that global supply chains are a fact of life in the 21st century. She underlined that global supply chains provide job opportunities and sustain the livelihoods of millions of people worldwide. She also mentioned, however, the risks and shortcomings of global supply chains and the decent work deficits that can often be observed. She made clear that global supply chains must be managed responsibly and that workers have the right to living wages, safe workplaces, representation and adequate social protection. This is a matter of social fairness.

In this context, she recalled the ongoing EU debate on the proposed European Pillar of Social Rights which aims to address the challenges of the 21st century world of work, to uphold fundamental values, safeguard competitiveness and resilience to future shocks.

Regarding the EU Garment Initiative, she underlined its four objectives:

- Reaching out to all stakeholders, making them work together – governments, employers and business, trade unions and civil society.
- Creating synergies between existing initiatives - building on good practice and leveraging initiatives that lack critical mass. This means filling gaps that have so far not been addressed.
- Using the EU's clout as one of the most important trading partners for garment producing countries. Also, many EU citizens demand socially-just and environmentally-responsible products.
- Combining EU internal and external policies, e.g. employment, social or internal market policies and public procurement, international trade and investment, development cooperation and external assistance. Such EU action strengthens existing national initiatives.

Commissioner Thyssen highlighted that joint action by all stakeholders is key to ensure responsible garment supply chains. She pointed to international initiatives in this respect, notably the work of G7, G20 and OECD. The EU will financially support the Vision Zero Fund that came out of the G7's work on responsible supply chains.

Finally, Commissioner Thyssen acknowledged the EU's responsibility in the area of global supply chains, and confirmed the EU's resolve to promote decent work around the globe.

Mujibul Haque Chunn, State Minister of Labour and Employment, Bangladesh, stated that his country's garment sector is responsible for exports of US\$ 24 billion, which is 13% of GDP and 75% of total exports. The sector provides employment for 4 million workers, he said, and also has an impact on overcoming poverty.

Bangladesh has just recruited 230 inspectors, he said, bringing the total to 271. And the country has just concluded a fire-safety strategy for its factories with the ILO. Based on these assessments, some factories have been fully or partially closed after inspection, and a helpline has been opened with which workers can submit complaints.

A new minimum-wage level has been established for the garment sector, he said, which represents an increase of 77%, and working conditions have improved. Bangladesh has worked closely with the EU, the Netherlands and the UK on these issues.

In spite of many constraints, Bangladesh is doing all it can to improve the supply chains, he said. However, they have found that sometimes global stakeholders do not always redeem their pledges.

There have been challenges, he said, but also success stories. We have advanced a great deal since Rana Plaza, and the role of our partners has been very important in helping us improve worker conditions. The conclusion of this conference will be of immense help for us, he said. Without your help and support, it would not be possible to overcome the local obstacles and conditions we face. Thank you.

Marjeta Jager, Deputy Director General at Directorate-General for International Cooperation and Development, drew the conference to conclusion, saying that everyone involved in today's discussions was working towards results-oriented action. There is a strong message emerging that we need to work together, she said, and the EU is well-placed to bring people together and provide a platform, as was emphasized repeatedly today.

However, we need to focus, she said. We need to consider which topics, countries and regions to concentrate on – perhaps countries that already host major garment industries – as well as those building for the future.

The results of our garment study showed that there are gaps in existing engagement – potentially in areas like gender equity, environmental issues, workers' rights and supply chain transparency. There is scope for further improvements, and we need to work on these issues.

It is essential for the EU to build on the work already carried out by stakeholders and governments. It is less about additional initiatives, but more about common solutions, greater coherence and more effectiveness. The EU emphasis should be on solutions that make the best use of the EU toolbox.

Concerning potential options, she said that we can use the financial resources within our development cooperation in a more forward way. And we could improve information-sharing by considering the option of an inclusive platform at EU level, she said. Potentially this would be an online platform also, which would also help promote the scaling up of best practices. Further, we could look into raising awareness, reaching out to consumers, or engaging more on supply chain transparency.

Today's conference was an important milestone on the road since Rana Plaza, with participants' input valuable for consolidating our analysis on where and how to do more. We will reflect on the discussions and come back to you.

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