Due diligence for responsible supply chains in the garment and footwear sector –
The role of product labels

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Due Diligence Guidance for the sector

• Finalised in **2017**
• Adopted by **49 governments**
• **Recommendations** to business
• Risk-based due diligence across the **whole supply chain**.
• Relevant for **all companies** and multi-stakeholder or collaborative initiatives
Due Diligence Guidance for the sector

Stages of the supply chain

Example Business Relationships

- Brand/Retailer
  - Supplier
    - Sub-contractor
  - Agent
  - Licensee
    - Supplier
      - Sub-contractor
    - Agent
    - Supplier
      - Sub-contractor
  - Sub-contractor
Due Diligence Guidance for the sector

Steps of Due Diligence

1. Embed responsible business conduct into policies & management systems
2. Identify & assess adverse impacts in operations, supply chains & business relationships
3. Cease, prevent or mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate
How can product certifications and labels help?

- A range of labels and certifications in the sector for cotton, addressing specific risks
- Tends to be an independent standard and include an assurance process
- Recognised by consumers, businesses and other stakeholders

Examples:
What role can they play in due diligence?

Negotiated global consensus
Translation into standard or expectation by MSI or industry scheme
Implementation by companies

Company performance
Industry schemes or MSIs
RBC Instruments

Issue- or sector-specific certification and label schemes
What are some of their limitations?

- Alignment with OECD standards
  - What information is asserted by a label, is that useful or meaningful information?
  - Clear communication on scope by businesses that rely on labels.
- Costs and accessibility by supply chain actors and intermediaries
- Fragmentation / consumer and stakeholder perceptions
Many initiatives claim to be aligned with OECD due diligence guidance.
An OECD alignment assessment evaluates:

<table>
<thead>
<tr>
<th>Policies and standards</th>
<th>Implementation</th>
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</thead>
<tbody>
<tr>
<td>Are the assessment criteria clearly addressed in the programme’s policies, standards, procedures or other formal documentation?</td>
<td>Do audits or assessments assure that companies implement the criteria?</td>
</tr>
<tr>
<td>Fully Aligned</td>
<td>Partially Aligned</td>
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<td>Fully Aligned</td>
<td>Partially Aligned</td>
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</tbody>
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### Alignment Assessment rating

<table>
<thead>
<tr>
<th>Fully Aligned</th>
<th>Partially Aligned</th>
<th>Not Aligned</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Section A = 100%) + (Sections B and C = 80% or higher) + (no ‘Not Aligned’ criteria)</td>
<td>All other combinations between Fully Aligned and Not Aligned</td>
<td>(Section A = &lt;50%) OR (Sections B and C = 20% or higher of criteria are ‘Not Aligned’)</td>
</tr>
</tbody>
</table>
Driving change in MSIs and industry schemes

Overarching due diligence principles

- Standards (2016): 12% Fully Aligned, 44% Partially Aligned, 44% Not Aligned
- Revised Standards (2018): 44% Fully Aligned, 94% Partially Aligned, 6% Not Aligned
- Implementation (2016): 5% Fully Aligned, 56% Partially Aligned, 38% Not Aligned

Overall alignment with the due diligence framework

- Standards (2016): 28% Fully Aligned, 40% Partially Aligned, 32% Not Aligned
- Revised Standards (2018): 88% Fully Aligned, 12% Partially Aligned
- Implementation (2016): 24% Fully Aligned, 45% Partially Aligned, 31% Not Aligned

Programme governance review

- Fully addressed: 6%
- Improvement opportunity: 24%
- Not addressed: 70%
Thank you!

Find us online

https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm

Contact us

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Next Garment & Footwear Forum:
23-24 February 2022